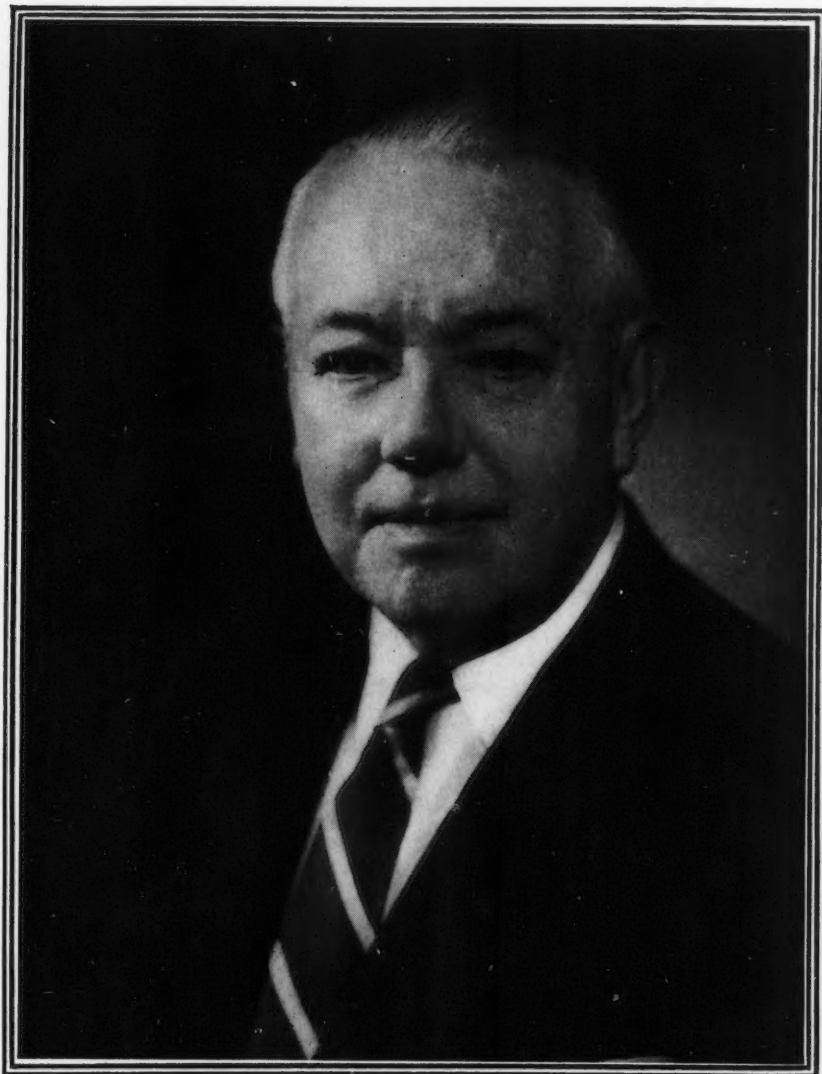


# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

OCTOBER 1958



Meet President Miller (page 44)

What Banks Should Know About Women (page 52)

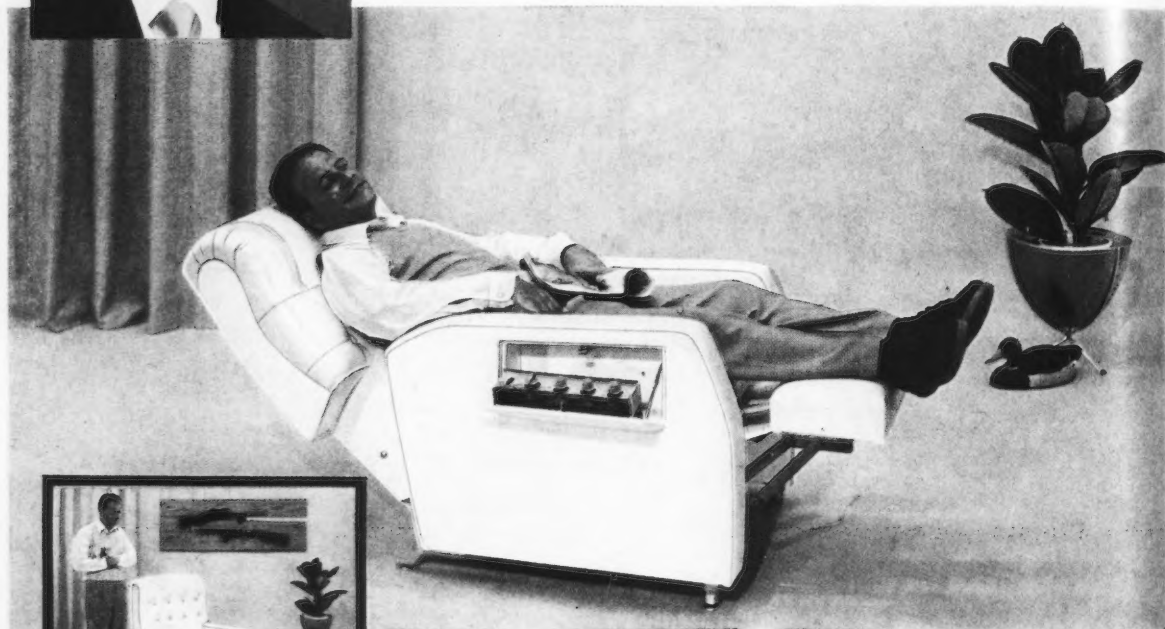
Insurance That Is Often Overlooked (page 56)



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# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

COMPLETE — AUTHENTIC

## CONTENTS FOR OCTOBER 1958

*Some material belongs in several different classifications but for your convenience is usually listed under one heading only*

### HERE AND ABROAD

THE OUTLOOK AND CONDITION OF BUSINESS	
<i>William R. Kuhns</i>	37
THE SMALL BUSINESS INVESTMENT ACT OF 1958	
<i>Carl M. Flora</i>	38
WASHINGTON—INFLATION; SMALL BUSINESS; BANK EXAMINATION POLICIES	
<i>Thomas W. Miles</i>	40
THE CHANGING PATTERN OF OVERSEAS DOLLAR INVESTMENTS	48
SUMMARY OF UNITED STATES BANKS	80
WHY BUSINESSES FAIL	134

### OPERATIONS AND PERSONNEL

REGULAR ADVANCEMENTS	<i>Leslie Waller</i>	43
LENDER PROTECTION THROUGH TITLE INSURANCE		50
2-WAY RADIO PERMITS SAME-DAY MORTGAGE APPRAISALS	<i>Alfred J. Tria</i>	54
OPERATIONS REPORT		6
• OFTEN OVERLOOKED INSURANCE COVERAGES FOR BANKS	<i>George H. Hottendorf</i>	56
THIS BANK PROVIDES FREE RESEARCH FOR CUSTOMERS		59
WHAT MARKET RESEARCH CAN DO FOR BANKS	<i>Herbert Bratter &amp; Forrest Clements</i>	60
FOR THE BUILDING SCRAPBOOK (PICTURES)		78

### INVESTMENTS

BANKING'S INVESTMENT FORUM	
• INVESTMENT PROBLEM: CASE STUDY No. 2	4
• GOVERNMENT BONDS	<i>Murray Olyphant</i> 12
• THE INVESTMENT MARKETS	<i>H. Eugene Dickhuth</i> 18

### TAXES, TRUST, LEGAL

TAX RESPONSIBILITIES OF BANKS AS EMPLOYERS	<i>Herbert Bratter</i>	62
BANK LAW NEWS		114

### ADVERTISING, PUBLIC RELATIONS, AND EDUCATION

WHAT BANK'S SHOULD KNOW ABOUT WOMEN	<i>Mackarness H. Goode</i>	52
BANKING'S BUSINESS BUILDING BULLETIN		
• IDEAS AT WORK	<i>John L. Cooley</i>	69
• ADS AND AIDS THAT SELL SERVICES		72
• HOW BANKS TELE-SELL		74
• PUBLIC RELATIONS EXPANSION BUILDING BETTER BANKING IMAGE		75
• NEW A.B.A. FILM—"A MAN TO KNOW"		76
YOUR FAMILY BANK		128

### THE COUNTRY BANKER

NEWS FOR COUNTRY BANKERS	<i>Mary B. Leach</i>	86
THE FARM PROBLEM		90
CONTRACT FARMING		92

### GENERAL NEWS

HEARD ALONG MAIN STREET		20
MEET PRESIDENT MILLER		44
NATIONAL AGRICULTURAL CREDIT CONFERENCE PROGRAM		98
BANKING NEWS		102
• INSTALMENT CREDIT		106
• SAVINGS		107
• HOUSING AND MORTGAGES		108
• CALENDAR		110
THE SAVINGS AND MORTGAGE PICTURE		112
NEW BOOKS		142
WHAT'S NEW		144

BANKING's Advertisers . . . 146



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JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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## In This Issue

### The Gentleman from Kentucky

Lee P. Miller is the new president of the American Bankers Association. He's also president of the Citizens Fidelity Bank and Trust Company of Louisville. Long active in the Association, Mr. Miller was elected to its top office at the recent 84th convention in Chicago. (Convention story in next month's magazine.) He hardly needs an introduction to bankers, but just in case you don't know him there's a sketch of his career and a sampling of his views in "Meet President Miller," page 44.

### Small Business

The last Congress "did something" for a vital segment of the economy. Its chief achievement, the Small Business Investment Act of 1958, is discussed expertly in an article by Carl M. Flora, chairman of the A.B.A. Small Business Credit Commission and vice-president of the First Wisconsin National Bank, Milwaukee. (Page 38.)

### Your Bank's Insurance

Some banks may not be aware of certain protective services available from insurance. A.B.A. Deputy Manager George H. Hottendorf calls attention to them in "Often Overlooked Insurance Coverages for Banks," featured in this month's "Operations Report," page 56. Mr. Hottendorf is secretary of the Insurance and Protective Committee.

### New Banking Service: Research

At the Traders National Bank of Kansas City, Mo., commercial customers and correspondent banks are getting a new service. The facilities of the bank's research department are available, at no charge, for working out business problems and plans. Our report, "This Bank Provides Free Research for Customers," is on page 59.

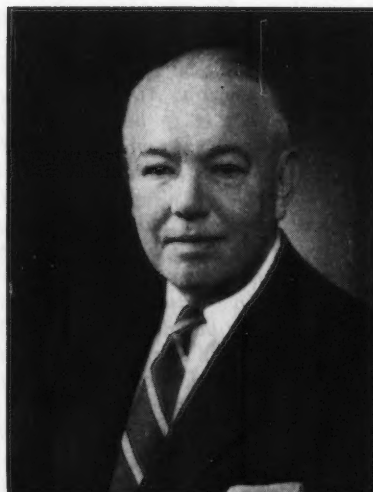


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#### THIS MONTH'S COVER

A face familiar to most bankers—that of our new A.B.A. president, and president of Citizens Fidelity Bank and Trust Company, Louisville, Ky., Lee P. Miller, appears on this month's cover. Page 44, as mentioned above, will give you a closer look at this Kentucky banker

# BANKING'S Investment Forum

## INVESTMENT PROBLEM:

### Case Study No. 2

**I**N October 1957, "Case Study No. 2," the second in a series of typical trust investment problems and their possible solutions appeared in the American Bankers Association *Trust Bulletin*. Five investment approaches were offered for the situation posed when a middle-aged business or professional man attempts to create a nest egg for retirement, through a trust.

A reappraisal, in terms of today's market conditions, of the hypothetical problem and its five original investment solutions, appears below.

**T**HOSE who formulated the original solutions for the hypothetical doctor's trust are satisfied with the performance of their investment selections during the past year of erratic movements in the securities market and would have made only minor changes. Those original solutions represent the individual views of five members of the Committee on Trust Investments of the A.B.A. Trust Division. Such changes as are recommended by them are only normal developments in any well managed portfolio.

The principal intent of the trustor in this problem was appreciation rather than income, and, as it is axiomatic that an account should be tailored to meet

the primary purpose of the trust, the emphasis has been on securities with growth potentials. The question is: Has this investment objective so far been accomplished? The reviews indicate that it has.

A change in the investment philosophy of many investors began to take shape before Lebanon and was accentuated by that incident as the stock market responded vigorously to this significant event of great importance to the western world and the related economy.

If we are to consider the averages alone, the Dow Jones Industrials are higher than they were at the same time last year, after declining to a low of 420 on October 22, 1957; and on July 30, 1958, the yield on the S.&P. Index of 500 common stocks was 3.87%, while the yield on A1+ bonds was 3.74%.

It is perhaps significant that at this time the average yield on industrial common stocks is less than the yield on high-grade bonds, but, as stated before, the primary objective was for growth looking 15 years to the future, and current income was relatively unimportant.

It should be remembered that the original solutions and these reviews were prepared some two months before publication.

#### PROBLEM

##### *A Living Trust for A Successful Man of 50*

A doctor, age 50, who has little time to use outside his practice, has named your bank sole trustee of a \$75,000 revocable trust which he has set up in cash as the nucleus of a fund to provide net income to him upon retirement about 15 years hence. The doctor's outside assets consist of a house valued at \$50,000, plus life insurance policies with a face value of \$75,000. Some policies are already paid up and the remaining policies should be at the same status by the time the doctor retires. His practice has been quite successful, and his annual income is such as to put him in approximately

a 40% bracket after filing a joint income tax return.

Provisions of the trust are that upon his death net income is to be paid immediately to his wife for the balance of her life, with ample powers of invasion. After his death, the remainder is to be distributed to his children (daughter now 15 and son 10) or their issue. Investment powers are very broad, and the trustor clearly has left it up to the trustee to take whatever course of action the latter deems best. For the foreseeable future, income from the trust may be added to principal and reinvested. The trustor hopes to make future additions to the trust but this cannot be counted on.

Outline your general approach and policies with respect to such a trust. Specifically how would you invest

the \$75,000? (Assume the absence of a common-trust fund.)

#### ANSWER "A"

(Original portfolio, page 9)

No change would be made in either the items selected, or the proportions to be invested in each one of them. Of the stocks selected, all of them are selling noticeably higher than they were a year ago, with the exception of Crown Zellerbach, which is about the same, and Aluminium, Limited, which is down sharply. Stock prices have gone up on balance largely because of a growing preference for stocks, as such, over bonds. On the record this preference is justified, and it is reasonable to expect investors

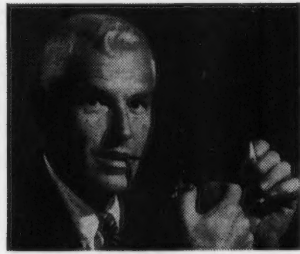
(CONTINUED ON PAGE 6)



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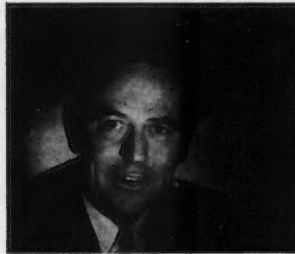
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(CONTINUED FROM PAGE 4)

will continue to be willing to pay premium prices for good stocks because of their demonstrated superiority over bonds as an inflation hedge.

However, there are some signs that this preference is being overdone, and, with business, earnings, and dividends not as good as they were a year ago, there is little incentive for a trustee to place a larger proportion of his funds in common stocks today than he would have 12 months ago.

## ANSWER "B"

(Original portfolio, page 9)

WE are still of the opinion, as indicated in our last year's analysis of this problem, that the long-range viewpoint is definitely inflationary. This is true despite the near-term uncertainties that may adversely affect the market.

We would, therefore, continue our heavy commitment in common stocks.

In addition, however, we would suggest the following revisions:

### SELL:

150 shares El Paso  
Natural Gas at 32¾ \$4,912.50

### BUY:

80 shares Continental Oil Co. at 59½ \$4,760.00

Sale of 150 shares El Paso Natural Gas is recommended since this holding has not performed as originally contemplated. Purchase of 80 shares Continental Oil is directed, inasmuch as this excellent growth stock appears attractive. This company owns substantial mineral interests in the Mid-continent area, abroad, and in Canada through its 67% ownership of the Hudson Bay Oil and Gas Company.

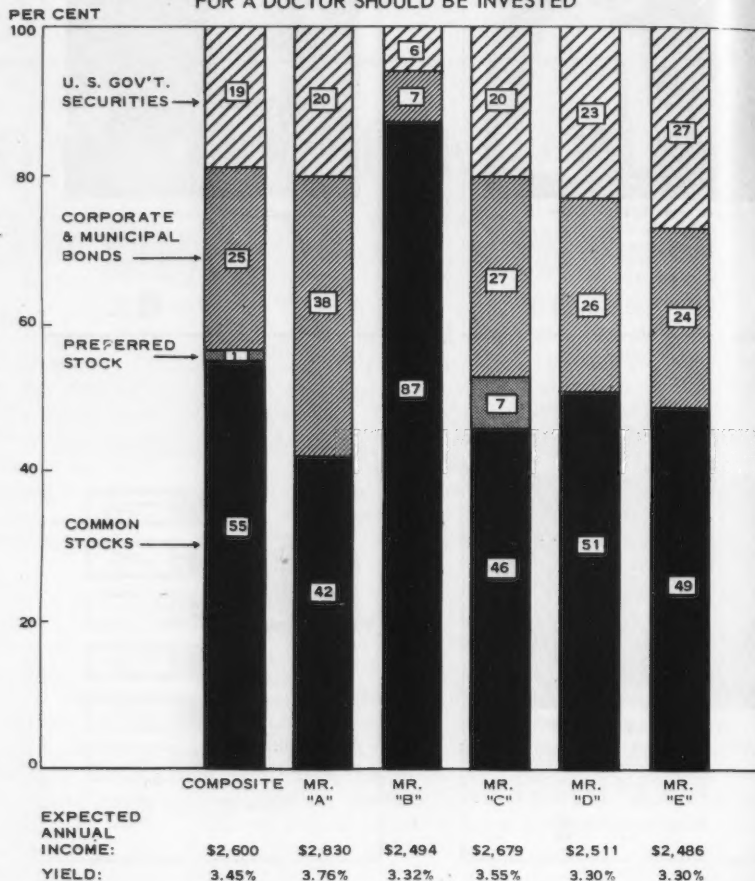
## ANSWER "C"

(Original portfolio, page 9)

THE \$15,000 U. S. Treasury 4% due 8/1/58 have matured and we would suggest reinvestment of these proceeds in \$15,000 Federal National Mortgage Association 3½% 8/23/60 at market approximately 101¾.

We would sell \$5,000 Sperry-Rand Corporation 5½% 1982 at market approximately 115. At 20 the common stock is selling well below the \$28 figure where the warrant would develop actual value, and with the

HOW 5 TRUST OFFICERS INDICATED A \$75,000 TRUST FUND FOR A DOCTOR SHOULD BE INVESTED



bonds at a premium of 15 points they appear to be fully valued. For reinvestment we suggest purchase of \$5,000 consumers Power Company convertible debentures 4½% 1972 at market approximately 114. These bonds are convertible into the common at \$47 per share.

No revisions are recommended in the stock program.

### SELL

\*\$5,000 Sperry-Rand  
5½% 1982 @ mkt.  
approx. 115 \$ 5,750.00

### MATURED

\$15,000 U. S. Treasury 4% 8/1/58 \$15,000.00  
\$20,750.00

### BUY

\$15,000 Federal National Mortgage Association 3½% 8/23/60 @ mkt. approx. 101¾ \$15,201.00  
\$5,000 Consumers Power Co. conv. deb. 4½% 1972 @ mkt. approx. 114 5,700.00  
\$20,901.00

\*Incorrectly described in original answer as 4¾% 1987.

## ANSWER "D"

(Original portfolio, page 9)

IN reviewing the answer to the problem, it still appears that the (CONTINUED ON PAGE 8)





## PEACE OF MIND

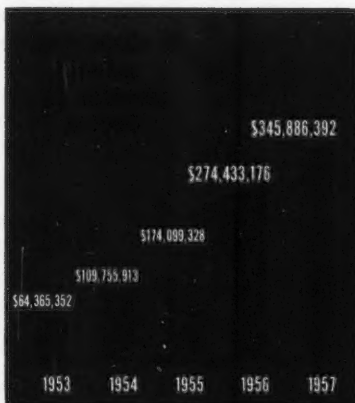
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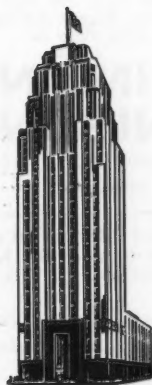
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(CONTINUED FROM PAGE 6)

position of the doctor calls for a good representation in common stocks that should increase in value over a period of years. In the last year, the account has appreciated some in value, and the selections made a year ago seem entirely satisfactory at this time.

There were only two changes in the account during the year. In November 1957, Standard Oil Company of New Jersey issued rights, and, in view of the favorable outlook for the company, 200 additional rights were purchased at 15 cents each to make 300 so that 10 shares of stock at \$44 a share were acquired through exercise of the rights. In January 1958, IBM declared a 2½% stock dividend and one-half share was purchased for \$160 to round out the dividend.

In the statement of the problem, it was indicated that income of the account would not be needed by the doctor and was to be added to the principal section of the trust for investment. As a result, there is about \$2,380 available, and the account is purchasing 20 shares International Paper common stock at about 104.

After completion of all transactions, the uninvested principal cash is \$300.

The trust has a total value of \$79,850, of which \$40,140 is invested in common stocks, or 50.2% of the total.

## ANSWER "E"

(Original portfolio, page 9)

In reviewing the doctor's investment portfolio approximately one year from the date the securities were purchased, it is interesting to note that in the first group of what is generally considered to be growth stocks, there was a decline in value of roughly \$1,000, or about 5½%, while in the second group of so-called consumers goods stocks there was an increase of nearly \$4,200, or approximately 23%. As we stated at the time, we were "loathe to place too much in the high-priced growth category, even though it is in this type of stock, over the long run, it is believed the doctor's funds should be heavily invested."

Since it is felt the events of the past year have indicated that the growth and development of this

country will continue along with more inflation, our original promise still seems to be the proper one. It is also believed that it would be timely to move some funds from the consumers goods category into the growth field and at the same time transfer a portion of the cash fund into this field. In the program that follows, we have, therefore, suggested the sale of two stock holdings in the consumers goods group and placing these funds, together with one-half of the \$20,000 cash fund, in two new convertible debentures, three new equities, and additions to five present stock holdings. All of the aforesaid recommendations can be considered to be holdings that are in the so-called long-term growth category:

Cash from U. S. Government's ..... \$20,000  
Accumulated Income ..... 2,485

	Sell	Cost	App. Mkt. 8/30/58	
40 shs.				
Florida Power & Light	48	71	2,840	
35 shs.				
Procter & Gamble	49	66	2,310	
				\$27,635
	Buy			
\$10,000				
U. S. Treasury Cts., 2½%, 2/14/59			100	\$10,000
3,000				
Olin Mathieson, Conv. 5½%, 1982			104	3,120
3,000				
Scott Paper, Conv. 3%, 1971			104	3,120
35 shs.				
Johns Manville			46	1,610
25 shs.				
National Lead			102	2,550
30 shs.				
U. S. Steel			71	2,130
10 shs.				
Aluminum Co. of America (to make 30 shs.)			80	800
15 shs.				
General Electric (to make 45 shs.)			63	945
20 shs.				
Standard Oil of N. J. (to make 55 shs.)			55	1,100
20 shs.				
Thompson Products (to make 45 shs.)			56	1,120
10 shs.				
Union Carbide & Carbon (to make 25 shs.)			106	1,060
				\$27,555

*You can lose your temper and still not get rid of it.*

*Some people get very tired climbing hills before they come to them.*

*A poor man worries over his next meal, and a rich man worries over his last one.*

# Original Portfolios Referred to in Preceding Answers

## ANSWER "A"

	Mkt. Price Oct. '57	Value	8/25/58 Market	Value
\$15,000 U. S. Treasury 4%, due 8/1/61	100½	\$15,075	102	\$15,300.00
10,000 California Veterans 3½%, 4/1/78	100	10,000	96.61	9,661.00
10,000 Port of New York Authority Rev. 3½% due 6/1/73	97	9,700	99	9,900.00
10,000 New Jersey Turnpike 3½%, due 1/1/85	92	9,200	96	9,600.00
100 shs. Phoenix Insurance Co.	65	6,500	69½	6,987.50
100 shs. Great American Insurance Co.	33	3,300	38½	3,850.00
150 shs. Sears, Roebuck & Co.	27	4,050	33½	4,987.50
150 shs. Armstrong Cork Common	26	3,900	32½	4,893.75
100 shs. Hercules Powder Common	39	3,900	47	4,700.00
100 shs. Crown Zellerbach Common	53	5,300	52½	5,250.00
100 shs. Aluminium Ltd.	43	4,300	29	2,900.00
		\$75,225		\$78,029.75

## ANSWER "B"

### BONDS

	Approx. Price	Cost	Income
\$5,000 U. S. Treasury 4%, due 8/1/61	100¼	\$ 5,012.50	\$ 200.00
\$5,000 R.C.A. 3½%, due 12/1/80	95	4,750.00	175.00

Bonds \$ 9,762.50 \$ 375.00

Shares	STOCKS		
100 Aluminium Ltd.	50	5,000.00	88.00
200 Combustion Engineering	30	6,000.00	224.00
100 Crown Zellerbach	53	5,300.00	180.00
25 duPont	200	5,000.00	162.50
150 El Paso Natural Gas	36	5,400.00	195.00
100 General Electric	71	7,100.00	200.00
100 General Motors	45	4,500.00	200.00
35 Hartford Fire Insurance	151	5,285.00	105.00
100 Johns Manville	48	4,800.00	225.00
200 Sperry Rand	25	5,000.00	160.00
100 Standard Oil Co. of Calif.	58	5,800.00	200.00
50 Union Carbide	121	6,050.00	180.00

Stocks \$65,235.00 \$2,119.50

Bonds 9,762.50 375.00

Total \$74,997.50 \$2,494.50

Yield — 3.32%

## ANSWER "C"

Rating	Bonds	Current Mkt.	Extension	Approx. Yield	Income
AAA	\$15,000 U. S. Treasury 4% 8/1/58	100	\$15,000	4.0%	\$ 600.00
NR	5,000 El Paso Natural Gas Conv. Deb. 5% 1977	103	5,150	4.9%	250.00
A	5,000 Atlantic Refining Conv. Deb. 4½% 1987	102	5,100	4.4%	225.00
NR	5,000 Sperry Rand Corp. 5½% 1982 (With Warrants)	100	5,000	4.8%	237.50
A	5,000 Consolidated Edison Conv. Deb. 4½% 1972	105	5,250	4.4%	231.25
			\$35,500		\$1,543.75
Shares	Stocks		Est. Div.		
50 Kaiser Aluminum & Chemical 4¼%					
Convertible Preferred	103	\$ 5,150	\$4.75	\$ 237.50	
20 Aetna Life Insurance common	190	3,800	3.40	68.00	
50 Travelers Insurance common	80	4,000	1.20	60.00	
60 Texas Corp. common	70	4,200	2.50	150.00	
15 International Business Machines common	310	4,650	2.40	36.00	
40 Union Carbide common	112	4,480	3.60	144.00	
60 Eli Lilly common	71	4,260	2.50	150.00	
70 General Electric common	68	4,760	2.00	140.00	
100 Florida Power & Light common	46	4,600	1.50	150.00	
Total common		\$34,750		\$ 898.00	

### Group Percentage Schedule

	%	Income
Bonds	\$35,500.00	47.2 \$1,543.75
Preferred	5,150.00	6.8 237.50
Common	34,750.00	46.0 898.00
	\$75,400.00	100.0 \$2,679.25

## ANSWER "D"

### ORIGINAL PORTFOLIO

Diversification	Present	Proposed
Cash	\$75,000 100%	\$ 620 0.8%
Bonds	—	36,590 48.8%
Preferreds	—	—
Commons	—	37,790 50.4%
	\$75,000 100%	\$75,000 100.0%

### SUGGESTED PROGRAM

Par or Shares	Security	Approx. Market	Value	Estimated Annual Income
\$20,000	General Motors Acceptance Corp. 5's due 1977	97½	\$19,500	\$1,000
17,000	U. S. Treasury 4's due August 1, 1961	100½	17,090	660
	Sub-Total		\$36,590	\$1,680 (4.6%)
100	Standard Oil Company of New Jersey common	66	\$ 6,600	\$ 220
100	General Electric Company com- mon	66	6,600	200
30	E. I. duPont de Nemours & Company common	196	5,880	195
70	Aluminum Company of America common	85	5,950	84
20	International Business Machines common	330	6,600	48 (plus stock dividend)
70	Minnesota Mining & Manufac- turing common	88	6,160	84
	Sub-Total		\$37,790	\$ 831 (2.2%)
	Cash		620	
	Grand Total		\$75,000	\$2,511 (3.3%)

## ANSWER "E"

### ORIGINAL PORTFOLIO

Moody's Rating	Bonds	Approx. Market 8/9/57	Approx. Yield	Income
AAA	\$20,000 U. S. Treasury 4%, 8/1/58	100¼	\$20,025	3.86% \$ 800.00
AAA	5,000 State of N. Y. 3.10%, 8/1/67	101½	5,075	2.95 155.00
AAA	5,000 City of Indianapolis, Sanitary Dist. 1½%, 1/1/73	80	4,000	3.55 93.75
AA	5,000 City of Denver, School, 2¼%, 9/1/73	84	4,200	3.55 112.50
AAA	5,000 State of Connecticut, 3½%, 1/1/78	103	5,150	3.30 175.00
			\$38,450	\$1,336.25*

\* (\$536.25 tax exempt)

Shares	Stocks		Est. Div.	Est. Income
20	Aluminum Co. of America	85	\$ 1,700	\$ 24.00
20	Corning Glass	88	1,760	30.00
10	E. I. duPont	196	1,960	65.00
25	Eli Lilly "B"	72	1,800	45.00
30	General Electric	68	2,040	60.00
5	International Business Mach.	331	1,655	12.00
15	International Paper	102	1,530	45.00
35	Standard Oil of N. J.	65	2,275	77.00
25	Thompson Products	71	1,775	35.00
15	Union Carbide & Carbon	117	1,755	54.00
			\$18,250	\$ 447.00
55	American Gas & Electric	35	\$ 1,925	\$ 1.44 \$ 79.20
50	Central & South West	39	1,950	1.60 80.00
30	First National City Bank	65	1,950	3.00 90.00
40	Florida Power & Light	48	1,920	1.28 51.20
40	General Foods	48	1,920	2.00 80.00
40	General Motors	45	1,800	2.00 80.00
50	National Dairy Products	37	1,850	1.80 90.00
35	Procter & Gamble	49	1,715	2.00 70.00
60	Sears Roebuck	27	1,620	1.00 60.00
20	Travelers Insurance	84	1,680	1.10 22.00
			\$18,330	\$ 702.40
Totals			\$75,030	\$2,485.65

Average yield 3.30%

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**IBM**

**DATA  
PROCESSING**

# GOVERNMENT BONDS

*Business Outlook Brightens . . . Market Decline Accelerates . . .  
Cost of Treasury Bills Rises . . . Increases in Rediscount Rate . . .  
Open Market Committee Lets Market Alone . . . Member Bank  
"Free Reserves" Decrease . . . Treasury Need for More Cash . . .  
The Outlook*

MURRAY OLYPHANT

**M**ODERATE optimism over the business outlook, which had been evident during mid-summer, shifted to possibly over-done expectations of betterment in later weeks. Industrial production showed a further gain. Construction of homes was at a higher rate. Personal income made a new high. The gross national product moved up to an annual rate of \$429-billion in the second quarter, regaining about one-fifth of its earlier loss.

Whether the improvement can be continued for the balance of the year is a moot question. However, the rise in interest rates, the further decline in the prices for fixed income obligations and the apparent shift in the policy of the monetary authorities from easy credit to a more restrictive program did seem to be evidence that, in their opinion, the threat of inflation now outweighed the probability of further recession.

Under these circumstances the hesitancy of investors to enter the bond market was both obvious and quite understandable. As a result, market quotations for fixed income securities continued to decline.

## Market Decline Accelerates

Between August 1 and September 2 there were very few rallies in the market. What there were, were followed by further declines. For the month, prices dropped well below those which had been recorded in July.

Bonds maturing from 1966 to 1995 showed losses of from 3 18/32 for the 3% bonds 2/15/95 to over five points for several issues and in

many cases were almost back to the low points for 1958. From time to time some buying orders made their appearance, but the supply continued to exceed any sporadic demand. Funds were available to take advantage of the lower prices, but the general attitude of prospective buyers was to wait and see how low the market would go. This attitude was quite understandable in view of current developments, especially as alternate investment offerings in the field of corporate and municipal obligations continued to be available on a more attractive yield basis. There was some diminution in the amount of such alternate offerings, but there continued to be a sufficient supply to absorb what funds were available.

All of the more recently offered new issues of Treasury securities, whether for refunding or to provide new cash, declined well below their offering prices. Even the last issue—the 1½% tax anticipation certificates—sold down to 99 12/32, at which price the yield, to March 15, 1959, when they could be used to pay taxes at 100 and interest to maturity on March 24, was in excess of 2½%. The 2⅝% bonds 2/15/65, whose speculative reception upset the applecart, sold as low as 93 28/32, while the 3¼% bonds 5/15/85 offered originally at 100½—sold down to 91 24/32.

## Cost of Treasury Bills Rises

Not so long ago the weekly offerings of Treasury bills were being taken at a cost to the Treasury of less than 1%, but in August there

was one of the sharpest increases on record, as can be seen from the following:

Offered on	Amount (000,000 omitted)	Average Cost
July 31	\$1,700 bil.	1.165%
Aug. 7	\$1,700 bil.	1.524%
Aug. 14	\$1,800 bil.	1.895%
Aug. 21	\$1,800 bil.	2.162%
Aug. 26	\$1,800 bil.	2.462%

In short, the rate more than doubled.

This gave the dealer fraternity a difficult problem, and it might have been expected that repurchase agreements at the Federal Reserve banks would have shown a sharp increase, but they did not do so. The dealers were cautious bidders. So much so that no repurchase agreements were shown as outstanding at the end of any week. It is not a matter of record as to what RPA's may have been made elsewhere than at the Federal Reserve, but the amount could not have been substantial. Actually, the bills continued to be taken by the usual buyers in line with the ownership pattern reported in this review last month.

## Increases in the Rediscount Rate

Early in August the Federal Reserve Bank in San Francisco asked the Federal Reserve Board to approve an increase in the rediscount rate from 1¾% to 2%. The request was granted. Subsequently the banks in several other cities have taken similar action.

Failure to take similar action in other districts was at first attributed to the difficulty of getting full at-

(CONTINUED ON PAGE 14)

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hundred years ago. Only the  
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no matter how perfect.

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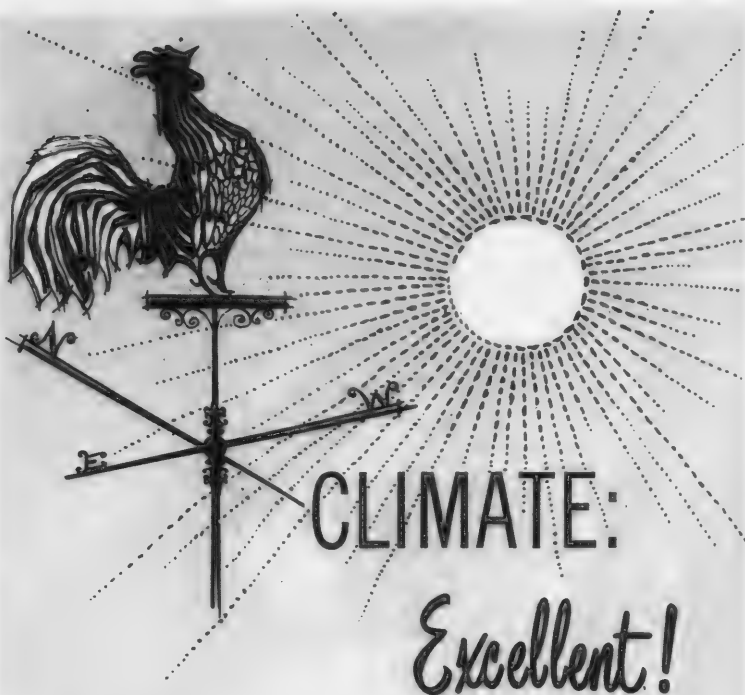
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(CONTINUED FROM PAGE 12)

tendance at meetings of the boards of directors; but subsequently the suggestion was made that perhaps there was consideration of going somewhat further, say to 2¼%, should there be a renewed demand for bank loans, although, as yet, there had been little evidence of such an increase. It was, however, fully expected that all the remaining banks would raise the rediscount rate in due course.

### **Open Market Committee Lets Market Take Its Course**

Despite the decline in the market prices for Government securities, the Open Market Committee held aloof during August. Apparently they did not regard market conditions as "disorderly" and certainly were not undertaking any "price pegging" operations, thus controverting some ideas which were prevalent a while ago.

Actually, from July 31 to August 27 the portfolio of the Federal Reserve banks increased only about \$300,000,000 as shown in the table on page 15.

It was said that whenever the rate for Federal funds dropped to 1¼%, as it did occasionally, the Open Market Committee made bills available in the market. This was further evidence that too much ease in credit was not desired.

Moreover, the addition of \$300,000,000 to the portfolio only slightly more than offset an increase in circulation of \$79,000,000 and a further loss of gold of \$166,000,000. By no stretch of the imagination could the Open Market Committee be accused of interfering with the action of the market.

### **Decrease in "Free Reserve"**

Further evidence of the willingness of the Federal Reserve authorities to have somewhat less credit freely available was to be found in the tendency of the "free reserves" (the excess of excess reserves over borrowings) of the member banks to go to lower levels. These "free reserves" had averaged over \$582,000,000 for July, but the average dropped to a little over \$400,000,000 for August and was down to about \$300,000,000 at the end of the month.

It is probable that, had there been any marked increase in bank

**BANKING**





**ELECTRIC TYPEWRITER COMPARISON CHART**

	SMITH-CORONA	Brand A	Brand B	Brand C	Brand D
<b>AUTOMATIC MARGINS</b> Simple one-hand, one-step operation.	YES	NO	NO	YES	NO
<b>SIGNAL LIGHT</b> Positive visual indication if motor is ON or OFF.	YES	NO	NO	NO	NO
<b>TOTAL TABULATOR CLEAR</b> Clears all stops instantly without moving carriage.	YES	NO	NO	NO	NO
<b>ERROR CONTROL</b> Simplifies correction of errors and line justification.	YES	NO	NO	NO	NO
<b>BOTTOM MARGIN INDICATOR</b> Page Gage accurately indicates bottom margin.	YES	NO	NO	YES	NO
<b>88 CHARACTER KEYBOARD</b> Standard at no extra charge.	YES	NO	YES	NO	YES
<b>KEYBOARD SLOPE</b> Key top slanted to fit natural movements of fingers.	YES	NO	NO	NO	NO
<b>ROLL-FREE ACTION</b> Releases typebar cams with no "scuffing" action.	YES	NO	YES	NO	NO
<b>SAFETY COVER</b> Motor shuts off when cover is raised to change ribbon.	YES	NO	NO	YES	YES
<b>CUSHIONED TOUCH</b> Eliminates jar to sensitive finger tips at end of each stroke.	YES	NO	NO	NO	NO
<b>THE WORLD'S FASTEST ELECTRIC TYPEWRITER</b>	YES	NO	NO	NO	NO

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### Portfolio Holdings

(000,000 omitted)

	July 31	August 27	Change for Period
Bills	\$ 2,006	\$ 1,216	- \$ 790
Certificates	19,946	21,507	+ 1,561
Notes	10	10	- ....
Bonds	2,955	2,484	- 471
Total	\$24,917	\$25,217	- \$ 300

loans, the "free reserves" might have disappeared entirely, but there was no such increase.

From July 3 to August 20 the reporting member banks showed an increase of \$387,000,000 in the total of commercial, industrial, and agricultural loans, but this was more than offset by a shrinkage of \$611,000,000 in loans to carry securities.

During the month the banks continued to add to their investments. Holdings of Government issues increased \$1,295,000,000, "other" securities \$60,000,000. A good part of the increase in Government's could be accounted for by allotted subscriptions to the 1½% tax anticipation certificates.

### Treasury Needs More Cash

It looks as though more of the short maturities will have to be put out and that the Federal Reserve may be forced to make reserves available so that the banks can take what is offered. This is simply printing money which carries interest and is clearly inflationary.

And that is not all. On December 1, \$9,833-billion 3¾% certificates mature, and \$2,368-billion 2½% bonds mature on the same date, besides which another \$3-billion new cash is expected to be required. The answer to the question as to how to refinance and get the new cash without inflating the money will require a new Solomon.

### Outlook

July and August witnessed an almost complete reversal of opinion as to the future course of business volume. Optimism replaced pessimism.

That the Federal Reserve authorities were becoming alarmed at the possibility of a renewal of the inflationary threat was clearly shown

by the rise in margin requirements, the upping of the rediscount rate, the shrinkage in the "free reserve" position of the member banks, and the actions of the Open Market Committee.

Furthermore, the attitude of investors, many of whom were unquestionably preferring stock equities to fixed income obligations, seemed to indicate a clearly inflationary bias. Witness the absence of buyers for Government securities even after the sharp decline which has taken place.

One could justifiably look for even higher interest rates and lower bond prices.

But—can the stock market continue to rise indefinitely? It never has, and a sharp decline would certainly be good news for the bond market.

Will there be such an increased demand for loans as once more to force the banks to go to the rediscount windows at the Federal Reserve banks? No such increased demand is yet in evidence.

If the answer to those questions is negative, then the climate for the bond market could decidedly improve.

Has the market for fixed income securities over-discounted the extent of business improvement? Many think that it has.

### TOP BILLING

One of our problems, as yet unsolved,

And the cause of numerous groans is:

How to keep up the payments involved

In keeping up with the Jones's.

STEPHEN SCHLITZER



*an idea is one thing*

*the solution another*

Five hundred years ago Leonardo da Vinci drew plans for an airplane. Da Vinci's thinking was so far ahead of the technical skills available to him that mankind spent nearly five centuries achieving truly successful and commercially practical applications of his ideas.

Today, the solution must quickly follow an idea. Old Republic's dynamic approach to insurance problems comes from a positive interest in new ideas, practical solutions to these ideas and quick action to put them into practice.

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## The Investment Markets

H. EUGENE DICKHUTH

**H**IGHER money rates, helped by an increase of the discount rate in several Federal Reserve districts, depressed bond prices severely in all sectors of the market. Late in August and early in September, sharp downward revisions in prices of bonds were imperative to arouse investment demand.

Constant reminders from official and private sources that higher money rates were necessary to combat potential inflationary forces had a depressing effect on all sectors of fixed income securities. This impact was felt to a lesser degree among corporate securities than in the municipal field.

All these developments raised the spectre of another cycle of high money rates where local governments would be unable to finance required modernization and expansion of their facilities under existing tax rates. Spiraling money costs were felt more acutely in short-term investment than in any other area.

### The Bond Supply

New financing moved relatively well, despite these disturbances but at considerably lower prices than earlier in the year. The supply of bonds about to be issued is continuing to move higher. Part of the reason for this is the fear that flotations might as well be completed before costs become prohibitive. In the historical perspective, lower bond markets are common in times of rising stock prices.

Indeed, the stock market did turn in a remarkable performance. The motors which are about the hardest hit of any industrial group earnings-wise out-performed the averages. While lower earnings prevailed, compared with 1957, corporate profit trends for the second quarter were most encouraging.

Some industrial groups did extremely well, including foods, chemicals and utilities, which are riding high on a wave of suburban and population expansion.

To be specific, the *Bond Buyer's* 20 bond-yield average advanced quite sharply early in September from 3.42 to 3.52% for tax-exempts. It was then as high as it has been since September 19, 1957, when this yield average was at the same level. This is only five basis points below the 1957 high of 3.57% which was reached in August.

At that time, the capital and money markets were under considerable pressure. Today, there is pressure, too, but the demand for funds has not yet equalled that of last year. Most of the rate increases have been "managed." They have not been caused by supply and demand.

### Voters' to Approve \$950,000,000 Of New Flotations

Next month, November, will bring an avalanche of new bond elections. Approval of voters is necessary for all projects which do not rely on revenues for income, but which have to be serviced out of the general tax pot of a local government.

The amount of new flotations, up for voters' approval next month, is in excess of \$950,000,000. If approved, proceeds will go towards education (schools), roads and bridges, water installations and sewers, utilities, health and welfare, recreation, ports and airports, industrial establishments, public housing, flood control, and a big slice for veterans' aid, not to mention unclassified projects.

It may be interesting to note that the \$950,000,000 figure which comes up for voters' approval this November compares with \$300,000,000 for November 1957. There has been some concern that the recession would make the voters less receptive to new bond proposals.

This has not been the case. During the second quarter of this year, voters approved 80.4% of the bonds proposed by their governments. The corresponding percentage for the second quarter of 1957, before the recession started, was 80.3%.



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*Above left*

In the main lobby, the customer service desk at the end of the teller line features a LeFebure under-counter unit.

*Above*

Five central file cabinets, designed and constructed by LeFebure, provide space for both card and activity sheets.

*Left*

Two completely equipped mail rooms feature special LeFebure cabinet and counter units on all walls, providing ample supply space.

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# \*\*\*\*\* Heard Along Main Street \*\*\*\*\*

*This department is compiled by*  
**MARGUERITE BECK of BANKING.**

**Former A.I.B. President  
 Heads New Maryland Bank**

*For space reasons, BANKING regrets that it must arbitrarily limit, in any one issue, the number of items used covering important personnel changes in the banks of the country. Many must be held over.*

## **Allan Herrick Retires**

ALLAN HERRICK, advertising manager, Security-First National Bank, Los Angeles head office, has sent cards to his friends telling them that he's gone fishin'—his way of announcing his retirement.

Mr. Herrick, long a contributor to BANKING—most recently he authored PR Clinc-in-Print in our May and June issues—has also written "You Don't Have to be Rich," a book dealing with family finances, published by Appleton-Century.

Prior to joining the staff at Security-First National Bank in 1929, he was advertising manager for Guaranty Trust & Savings Bank, Los Angeles, and Bankers Trust Co. and the United States National Bank, both of Denver. Mr. Herrick will be succeeded at the bank by Edward Royal, a New York advertising executive.

**Retiring Security-First National  
 advertising manager**



HARTWELL F. TAYLOR, who was American Institute of Banking president in 1949-1950, will be president of the National Bank of Maryland (in organization as of this writing) at Silver Spring, when it opens for business around November 1. Mr. TAYLOR was formerly a vice-president at the Bank of Virginia, Richmond, and prior to that was with State Planters Bank & Trust Co., also Richmond.

JAMES B. CASBARIAN, president, Bank of Maryland, Seat Pleasant, will be board chairman, and HILBERT A. CORLEY, formerly vice-president, Anacostia National Bank, D. C., will be vice-president and cashier.



**Hartwell F. Taylor**

## **About People**

HERMAN H. MAASS, formerly president, Fort Neck National Bank of Seaford (L.I.) becomes president, Security National Bank of Long Island. Mr. MAASS became a vice-president and director at Security when that bank merged with Fort Neck earlier this year. JOHN S. McCABE, from executive vice-president, Queens National Bank, Springfield Gardens, L. I., to vice-president, Security National. WALTER A. DRESCHER, from assistant vice-president to vice-president.

RUSSELL H. DORR, from International Bank for Reconstruction and Development, Japan, Indonesia, and Teheran, to vice-president, Chase International Investment Corp., wholly-owned foreign financing subsidiary of Chase Manhattan Bank.

FRANCIS S. MCMICHAEL becomes vice-president, Mellon National Bank & Trust Co., Pittsburgh, Pa.

WILLIAM B. DERRICK, vice-president, Marine Midland Corp., also becomes vice-president, Marine Trust Company, Buffalo.

RAY R. EPPERT, president, Burroughs Corp., becomes director, National Bank of Detroit.

IRVIN T. KEPLER, manager, Hatboro office of Philadelphia National Bank, retires after almost 50 years of service.

THEODORE S. CHAPMAN, corporate trust officer, becomes vice-president, City National Bank & Trust Company, Kansas City, Mo.; H. L. MILLER, personal trust officer, becomes vice-president; GERALD M. LIVELY, trust officer, becomes vice-president.

FRANK A. PUTNAM, vice-president, Chicago City Bank & Trust Company, retires after 37 years with the Bank.

(CONTINUED ON PAGE 22)

## Joseph P. Enright,

*First Vice-President, Valley Stream National Bank and Trust Co., Valley Stream, N.Y.*

discusses the need for  
full-time auditors



"Post-war growth of smaller banks produced many problems—not the least of which was keeping the audit function abreast of the increased volume of the bank's business.

"Faced with spiralling costs, many smaller banks with about 50 employees could not be sure they were ready to appoint a full-time auditor.

"No accepted formula indicates precisely when a full-time auditor is justified. But there are two distinct advantages to consider.

"The first is the opportunity to develop the auditor himself as a future executive. If he is carefully selected, and his Audit Program carries him into every corner of the bank with reports to the Directors of the bank, he could have no better training for a top management position.

"The other advantage is the psychological fraud deterrent when the staff is aware that one person's time is fully devoted to auditing. A sound Audit Program, broad in scope and carefully administered, should protect the bank's experience rating, naturally resulting in liberal premium credits on the bank's blanket bond.

"A full-time auditor is *not* an additional expense, but a wise investment which should pay real dividends over the years."

### INA'S PORTFOLIO OF PROTECTION FOR BANKS

with the Card-it Bank Audit Plan will help your bank follow Mr. Enright's suggestions. For details ask any agent of the Indemnity Insurance Company of North America, a leading underwriter of Bankers' Blanket Bonds and the company which allows premium credits for approved audits.



## INSURANCE BY NORTH AMERICA

INDEMNITY INSURANCE COMPANY OF NORTH AMERICA • PHILADELPHIA



## Take Another Look

at  
**Arizona**

**Arizona's  
Partner  
In Progress  
Since 1877**

Home Office  
Phoenix, Arizona

**FIRST  
NATIONAL  
BANK OF ARIZONA**

**Oldest Bank In Arizona**

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

for a  
**good first impression ...**  
**an enduring good impression**



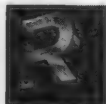
### Bank Signs in Bronze or Aluminum by **U. S. BRONZE**

Impressive dignity and good taste are working ambassadors for you when your bank's name appears in these beautifully designed and executed signs. Names of your personnel on tasteful metal signs also assure an impression of dignity and stability.



Desk Nameplates  
Both Economical  
and Beautiful

**INDIVIDUAL LETTERS—Metal or  
plastic—in all sizes**



Perfect for permanent signs, inside or out. As suppliers to banks large and small from coast to coast, we offer the widest selection with the most in service, at economical prices. Send today for catalog of all signs, plates, display cases, etc.

"Bronze Tablet Headquarters"

**UNITED STATES BRONZE SIGN CO., Inc.**  
101 West 31st Street, Dept. B, New York 1, N. Y.

## Main Street

(CONTINUED FROM PAGE 20)

**E. A. ANDERSON**, assistant manager, Bank of California's Seattle office, retires after 47 years of service. Mr. ANDERSON was the bank's representative in Alaska for many years.

**A. J. GRASMOEN** becomes executive vice-president, newly-organized Bank of Phoenix (Ariz.).

**J. W. McLEAN**, from vice-president, First National Bank and Trust Co. of Tulsa, Okla., to senior vice-president, Texas National Bank of Houston.

**EDMUND F. WAGNER**, president and director, General Realty & Utilities Corp., New York City, becomes president, Seaman's Bank for Savings, as of Nov. 1, succeeding **JOHN D. BUTT** who continues as chairman and chief executive officer.

**RICHARD C. BAIN** of law firm of Bain & Hoopes, joins Excelsior Savings Bank, New York City, as vice-president and counsel.

**ARCHIE C. MILNE**, 50 years a Michigan banker, will be president, Southgate (Mich.) Bank, set to open in October; **CHARLES BOYLE** will be vice-president; **JOHN C. MILNE**, cashier.

**ROBERT GRISWOLD**, vice-president, Maryland Trust Company, Baltimore, and a former president of the Trust Division of the American Bankers Association, died suddenly last month at his home in Baltimore. Mr. GRISWOLD had been an active member of the Division's Committee on Relations with the Bar since 1926, and served on the Executive Council, Commerce and Marine Commission, and as chairman of the Committee on Taxation.

**ARCHIE K. DAVIS**, board chairman, Wachovia Bank and Trust Company, Winston-Salem, becomes chairman of finance committee, U. S. Chamber of Commerce; other bankers newly appointed as committee members are **ARTHUR B. ADAMS**, president, Beloit (Wis.) State Bank; **ERWIN S. ANDERSON**, president, Merchants National Bank of Bangor (Maine); **WILLIAM R. LYON**, president, Dry Dock Savings Bank, New York City.

## Banking Among The Not-So-Wild-Life



Branch Manager **Don Hanks** tells his first customer at the museum-bank the rules for banking. Overhead a venerable bull moose casts a baleful eye on the new shenanigans. Out of picture range, polar bears, elephants, giraffes, and other animals might well sense the speeded-up tempo of their formerly peaceful surroundings. Customers think it's great

WHEN U. S. Route 30 was closed for improvements between Everett and Breezewood, Pa., it all but isolated the Breezewood business community on this busy Pennsylvania Turnpike interchange. Moving quickly, the FIRST NATIONAL BANK OF EVERETT opened a branch office in Breezewood to alleviate the situation, setting up the branch—of all places—in the lobby of the Crawford Wild Life Museum, also at Breezewood. The stuffed and preserved wild life, of course, remained.

**JAMES J. LANNING** becomes assistant cashier, Traders National Bank, Kansas City, Mo.

**RICHARD K. DAVIS** becomes vice-president, Worcester (Mass.) County Trust Company.

**ADDIE P. SOLOMON** becomes assistant secretary, Trenton (N. J.) Trust Company.

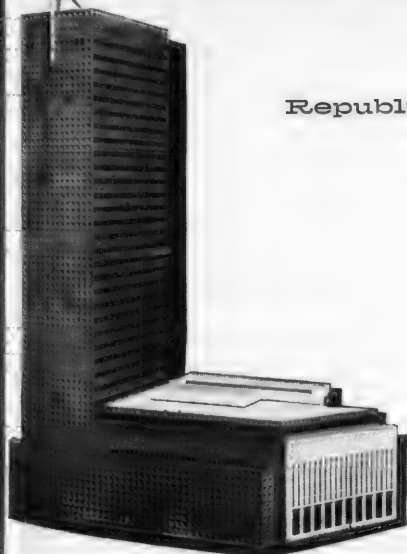
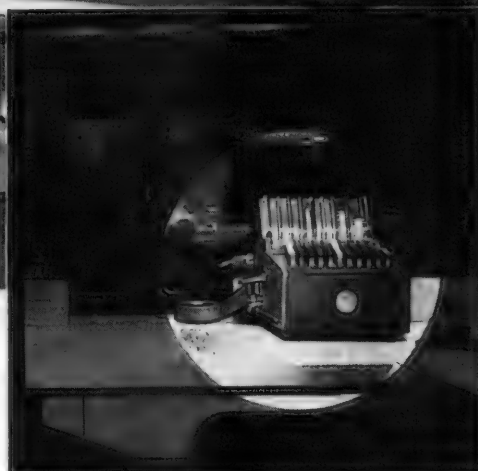
**Correction:** **ERNEST D. ROTHROCK**, president, Bank of Weirton and Peoples Bank of Weirton, W. Va., is the recently-elected 1958-59 president of the West Virginia Bankers Association. Mr. Rothrock's banking affiliation was inadvertently misspelled in these columns last month.

(CONTINUED ON PAGE 24)





Ultra modern  
Republic National Bank  
of Dallas, Texas



Not only has the Republic National Bank of Dallas, Texas, provided very attractive, well planned banking quarters for the convenience of its customers, but in addition it is completely equipped to give them the best of service in all phases of banking.

Brandt machines of the latest type play an important role in this bank's operations, providing speed and absolute accuracy in the paying, sorting, counting and packaging of coins. The Republic National Bank uses 45 Brandt Automatic Cashiers, 6 Brandt Coin Counters and Packagers and 3 Brandt Coin Sorting and Counting machines.

**BRANDT AUTOMATIC CASHIER COMPANY**

WATER TOWN

*Established 1890*

W I S C O N S I N

Brandt" and "Cashier" registered United States Patent Office and Canadian Trade Marks Office



## Monthly Review

THE BANK OF NOVA SCOTIA

### Banker's-eye view of Canadian business

**A**N OBJECTIVE look at developments and trends from a Canadian viewpoint—that's the BNS Monthly Review. Designed for businessmen, it is written by senior economists of The Bank of Nova Scotia.

Each issue analyzes a basic development affecting the Canadian economy. Executives in 70 countries find these reports valuable. You will, too, if you do business in Canada, or are thinking about it.

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Company \_\_\_\_\_

#### Floyd W. Larson Dies



Former A.I.B. national secretary

FLOYD W. LARSON, 58, executive secretary of the Minnesota Bankers Association, succumbed to a heart attack while traveling between MBA district meetings near Thief River Falls, Minn., last month. Mr. Larson served as national secretary of the American Institute of Banking from November 1947 through February 1952.

He is survived by his widow, son Jerry, and daughter, Mrs. Arnie Carlson of Pittsburgh.

#### Main Street

(CONTINUED FROM PAGE 22)

STANLEY C. GRAY, from vice-president, Central Bank & Trust Co. of Miami, to vice-president, Pan American Bank of Miami.

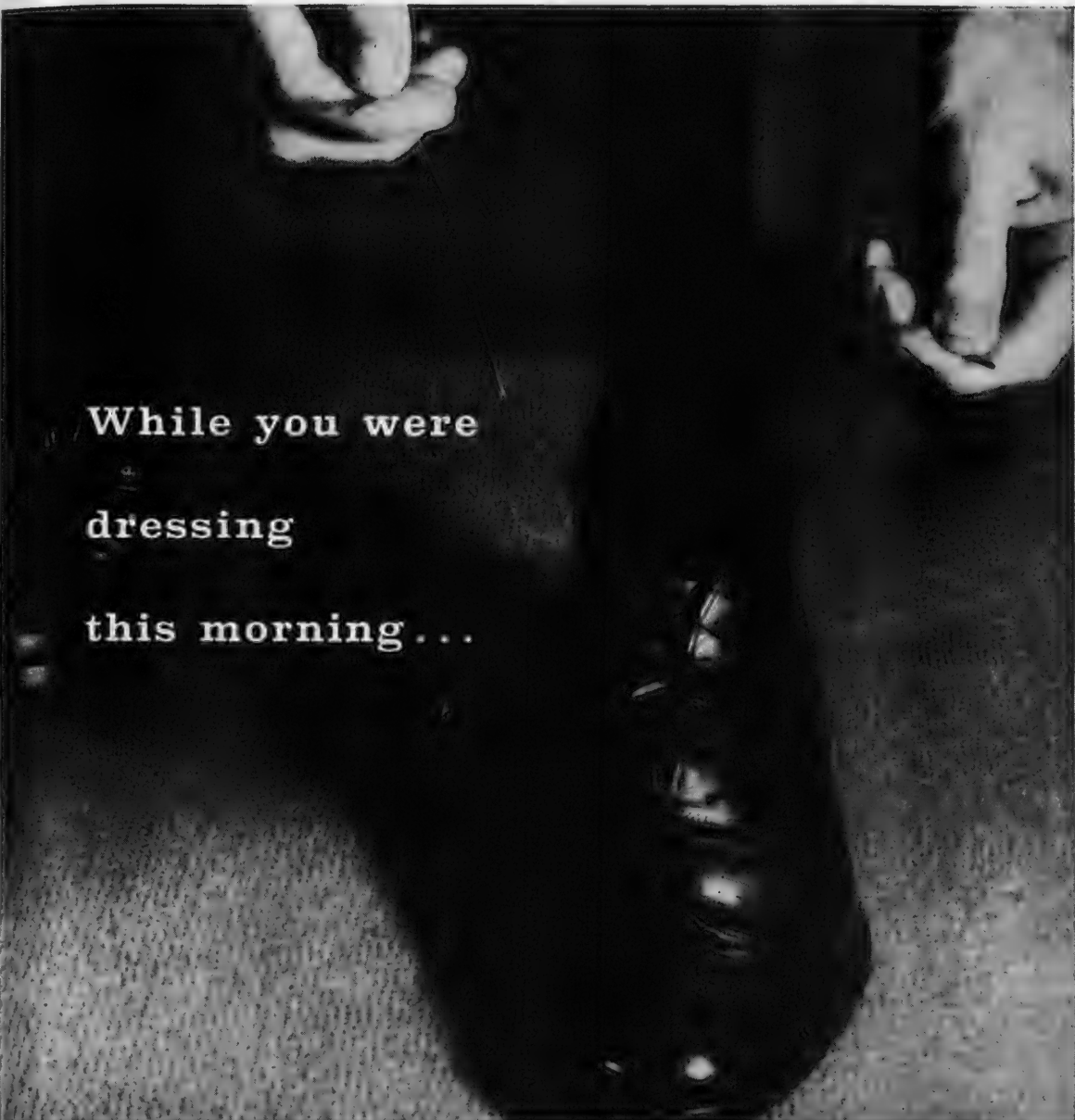
FRED HOLLAND, from vice-president and trust officer, First National Bank, Fort Worth, Tex., to executive vice-president, The First National Bank of Longview, Tex.

EDWARD I. CREEELY, assistant vice-president, retires from Crocker-Anglo National Bank, San Francisco, after 47 years of service.

FRED G. MUHL, trust officer, The First Pennsylvania Banking and Trust Company, Jenkintown, Pa., retires after 48 years with that bank.

STEPHEN J. SPELLMAN, from assistant vice-president to vice-president, Lincoln Rochester (N. Y.) Trust Company.

(CONTINUED ON PAGE 26)



While you were  
dressing  
this morning...

**... our night staff processed 10,000 cash items**

Barring mishap, it probably takes you about twenty minutes to make it from bedroom slippers to business shoes in the morning. During that time, our night staff laces into some 10,000 cash items... processing them at the rate of 500 a minute.

In fact, checks air-mailed to us

yesterday... from correspondent banks on both coasts... were available funds this morning!

Wouldn't you and your customers find such speed an advantage? We'll be happy to send you full details, or have one of our people call on you in person.

**CONTINENTAL ILLINOIS NATIONAL BANK  
and Trust Company of Chicago**

Member F. D. I. C.

Lock Box H, Chicago 90

October 1958

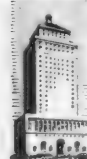
25



## IMPORTANT in Canada

Another important element in Canada's economy—and strength—is her banking system, whose largest member (and fourth largest in North America) is The Royal Bank of Canada. If you have among your clients firms or individuals who wish to explore business and financial opportunities in this fast growing country, you are invited to call on the "Royal" for practical assistance and helpful counsel. A widespread network of "on-the-spot" branches, plus an alert, well-organized Business Development Department, enables us to supply up-to-date information on specific areas and activities—complete banking facilities—and many specialized services outside the realm of routine banking.

### THE ROYAL BANK OF CANADA



Head Office: Montreal

New York Agency—  
68 William St., New York 5, N.Y.

Over 900 branches in Canada, the West  
Indies, Central and South America.

Offices in New York, London and Paris.  
Correspondents the world over.

Total Assets Exceed 3 1/2 Billion Dollars

## Main Street

(CONTINUED FROM PAGE 24)

J. M. PALFRAMAN, from vice-president, First National Bank, Miami, to president, Bank of Dade County, North Miami Beach, Fla.

RAY MILLER, from vice-president to president, Alexandria (Ind.) Banking Co., succeeding DANE H. HOOVER, who retires.

DANIEL E. STODDARD, from executive vice-president, secretary, and investment officer, to president, Peoples Savings Bank in Providence, succeeding ROBERT W. UPHAM, who retires.

CARL S. THOMAS, bank director and insurance agent, and former publisher of Farmington (N. H.) News, becomes vice-president, Farmington National Bank.

HAROLD L. JENKINS, director of research, becomes vice-president, Traders National Bank, Kansas City, Mo.

CHARLES H. FAWKS, executive vice-president, American National Bank, Bristow, Okla., retires; has

been president of Rogers County Bank, Bristow, and president, American National Bank, Pryor, Okla.

CARL M. SAMMULLER, from auditor to comptroller, Boardwalk National Bank, Atlantic City, N. J.

C. E. PRYOR, from president to board chairman, Farmers National Bank, Owenton, Ky.; J. E. HOLBROOK, from cashier to president.

CARL G. NELSON, from president, National Bank of Commerce, Superior, to president, First National Bank of Manitowoc, Wis.

R. G. DUKE, cashier, also becomes vice-president; C. J. LEDBETTER, comptroller, also becomes vice-president; J. D. COX, J. W. ROBERTS, from assistant vice-presidents to vice-presidents.

ALBERT R. SIMMONDS, vice-president, becomes first vice-president, Citizens & Southern National Bank of South Carolina, Charleston.

O. LOUIS KISPERT, from executive vice-president to president, Norwood-Hyde Park Bank & Trust Company, Norwood, Ohio.

## Symbol of Service



Isaac B. Grainger, second from right, president, Chemical Corn Exchange Bank of New York City, is presented with a Red Cross emblem as volunteer national chairman of the 1958-59 Red Cross fund raising effort by Gen. Lucius D. Clay, second from left, board chairman, Continental Can Company, and last year's holder of the same Red Cross office. Looking on are Gen. Alfred M. Gruenther, left, Red Cross president, and E. Roland Harriman, right, partner in the New York firm of Brown Brothers Harriman, board chairman, Union Pacific Railroad Company, and principal officer of the Red Cross. Among other bankers serving the Red Cross as campaign officers during 1958-59 will be John G. McCoy, vice-president of City National Bank & Trust Company, Columbus, Ohio, who will be national vice-chairman in charge of Ohio



## Who Says People Are Smarter Than Monkeys?

Here's one chimp who obviously doesn't work for peanuts. Susie, a 13-month old chimpanzee, is depositing her money in her new savings account at Richfield (Minn.) State Bank. Harry Gable, left, Susie's owner, is training her for show purposes, and also in the virtues of saving. Behind Susie is W. G. Kirchner, executive vice-president of the bank. Accepting Susie's money is Nancy Frost, teller



FRED B. HERBERT, president, The First National Bank, Murphysboro, Ill., has announced his candidacy for Class A directorship of the Federal Reserve Bank of St. Louis for Group 3. Mr. Herbert was County Judge of Jackson County, Ill., for 18 years, and has been with First National for over 30 years.

WILLIAM J. HARROP, assistant cashier and department manager, Merchandise National Bank of Chicago, retires after 28 years of service.

NICHOLAS L. DEAK, president of Banco Comercial e Industrial, Bolivia, chairman, Foreign Commerce Bank, Inc., Zurich, and vice-president for Bolivia of the American Bankers Association, becomes president, First National Bank of Fleischmanns, N. Y.; he is also president of foreign exchange concerns, Deak & Company, Inc., and Perera Company, Inc.

WILLIAM T. VANCE, from assistant vice-president to vice-president Lafayette National Bank of Brooklyn, N. Y.

GEORGE S. UNWIN, from branch manager to superintendent of Atlantic region, Canadian Bank of Commerce, Toronto.

LAWRENCE M. McCAGUE, from vice-president, National Company of Omaha, Nebr., to vice-president, First National Bank of Omaha; VARRO H. RHODES and W. E. SPEAR,

trust officers, both become vice-presidents.

ALAN M. COOPER, from president, Norwood-Hyde Park Bank and Trust Company, Cincinnati, to president, newly-organized National Bank of Sarasota, Fla., set to open in late October.

H. RAYMOND HORN, senior vice-president, Northwest Bancorporation retires after long banking career—since 1919—in the Upper Midwest.

Dr. ROGER F. MURRAY, formerly vice-president at Bankers Trust Company, New York City, and for the past three years associate dean at the Graduate School of Business of Columbia University, is appointed to new professorial chair, S. Sloan Colt Professorship of Banking and Finance. Chair was established at the University by Bankers Trust in honor of S. Sloan Colt, who, until retiring last September, was the bank's chief executive officer for 25 years.

W. TAYLOR BEARD, from vice-president and cashier to president, First Huntington (W. Va.) National Bank, succeeding WAITMAN C. GIVEN, who becomes board chairman; AUBRA V. PRATT, vice-president, from comptroller to cashier.

WINSTON C. BABER, from president, Staunton Bank, to executive vice-president, Moody National Bank, Galveston, Tex.

(CONTINUED ON PAGE 29)



## KEY POSITIONS in Canada

Another important element in Canada's economy—and strength—is her banking system, whose largest member (and fourth largest in North America) is The Royal Bank of Canada. If you have among your clients firms or individuals who wish to explore business and financial opportunities in this fast growing country, you are invited to call on the "Royal" for practical assistance and helpful counsel. A widespread network of "on-the-spot" branches, plus an alert, well-organized Business Development Department, enables us to supply up-to-date information on specific areas and activities—complete banking facilities—and many specialized services outside the realm of routine banking.

## THE ROYAL BANK OF CANADA

Head Office: Montreal  
New York Agency—  
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Over 900 branches in Canada, the West Indies, Central and South America.  
Offices in New York, London and Paris.  
Correspondents the world over.  
Total Assets Exceed 3½ Billion Dollars

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your man  
at the*

**IRVING!**



SOMETIMES being an expert is as simple as knowing how to get just the information you need at the moment you need it. That is exactly what your man at the Irving can do for you. For through the Irving Trust Company there flows a constant stream of information gathered from a world-wide banking system.

The sources of information are many and varied. The bank wire, broad tape ticker, credit files, and quotations from the trading tables daily measure the pulse of business. Add to this an intimate and timely knowledge of economic health in foreign countries gained through a global network of bank correspondents and you have a rich resource on which you or your customers can draw.

The specific facts you want and need can be as near as your telephone. Look upon your man at the Irving as a member of your own staff and consult him freely.

Through your man at the Irving: Fast Transit Service. World-wide Collections. Credit Information. Portfolio Analysis. Experienced Consultation. Safe Keeping of Securities.

## IRVING TRUST COMPANY

*One Wall Street, New York 15, N.Y.*

*Capital Funds over \$130,000,000*

*Total Assets over \$1,600,000,000*

RICHARD H. WEST, *Chairman of the Board*

GEORGE A. MURPHY, *President*

Domestic Banking Division—NOLAN HARRIGAN, *Senior Vice President in Charge*

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

## Main Street

(CONTINUED FROM PAGE 27)

### Memorial Established, Cited in Congressional Record

A SPECIAL bookplate, bearing the name of the late FRANK D. GORSLINE, who was president of Mercantile National Bank of Hammond, Ind., has been placed in a book in the library of his alma mater, Northwestern University, as a permanent memorial to this outstanding banker.

Remarks made by the Honorable Ray J. Madden, Representative from Indiana, citing both the memorial and the loss suffered by his area at Mr. Gorsline's death earlier this year, have been included in the Congressional Record.

GUY L. HONEYCUTT becomes chairman, The Hood System Industrial Bank of Raleigh, N. C., succeeding GURNEY P. HOOD, who remains board member and becomes honorary "retired president."

HENRY L. FRY, from vice-president, Union National Bank of Newark, N. J., to vice-president and director, First Jersey Securities Corp., Newark.

J. E. WILSON, vice-president, also becomes cashier, succeeding G. A. PATTERSON, vice-president, who relinquishes cashier duties in order to fulfill time demands of special projects.

WILLIAM HENRY BRENTON, from executive vice-president to president, National Bank of Des Moines, Iowa, succeeding the late ORAN D. ELLSWORTH.

WILLIAM R. RICE, from vice-president, Twin City Bank, North Little Rock, Ark., to vice-president, Merchants & Planters National Bank, Sherman, Tex.

HAROLD BROTHERHOOD, from assistant cashier to director of public relations and advertising, National Newark (N. J.) and Essex Banking Company.

*Correction:* STEPHEN P. ROBINSON, Jr., vice-president, National Newark and Essex Banking Company, has

retired from that post, not resigned as was inadvertently misstated in these columns in August.

WALTER F. CHASE, from assistant vice-president to vice-president, National Shawmut Bank of Boston; JOHN WARE, Jr., from assistant vice-president to vice-president.

WILLIAM W. HIBBERD, from assistant vice-president to vice-president, Trust Company of Georgia, Atlanta.

CARL B. NOYES, from Chase Manhattan Bank, N. Y., to vice-president and cashier, Merchants National Bank, Manchester, N. H.

DONALD L. ROGERS, former counsel on staff of U. S. Senate Banking and Currency Commission, becomes Executive Director, Association of Registered Bank Holding Companies.

BERNARD J. MAIWORM, second vice-president, Continental Illinois National Bank and Trust Company of Chicago, retires after 50 years with bank and its predecessors.

GEORGE A. GEIK, from assistant treasurer, Fair City Savings & Loan Association, Syracuse, N. Y., to president, Putnam County Savings Bank, Brewster, N. Y.

FRED HOLLAND, from vice-president and trust officer, First National Bank of Fort Worth, Tex., to executive vice-president, First National Bank of Longview, Tex.

WILLIAM A. BRICKENKAMP, from senior vice-president, Lindell Trust Co., to executive vice-president, Big Bend Bank, Webster Groves, Mo.

PAUL L. ROUNSAVILLE, from president, First State Bank, Gladewater, Tex., to president, First Hutchings-Sealy National Bank, Galveston, Tex.

GEORGE G. BERRY becomes assistant vice-president, Central Bank and Trust Company, Great Neck, N. Y.

Col. WILLIAM B. OFFUTT and Col. ELMER W. GUDE, both recently retired from military service, join Exchange National Bank, Colorado Springs, Colo., as assistant vice-presidents.

## California Bank Begins Cancer Education Program



Eugene Harmon, assistant-manager, Wilshire-Oxford branch of California Bank of Los Angeles, takes an after 3 o'clock break with teller Don Durkin to discuss the seven danger signals for cancer listed in the American Cancer Society's pamphlet

AWARE that 40% of the cancer problem occurs in the nation's labor force, from bank personnel to the assembly line, California Bank of Los Angeles, in cooperation with their local American Cancer Society branch, has begun an educational program to inform employees of ways to protect themselves against the disease. Danger signals, according to the American Cancer Society, are: (1) unusual bleeding or discharge; (2) a lump or thickening in the breast or elsewhere; (3) a sore that does not heal; (4) change in bowel or bladder habits; (5) hoarseness or cough; (6) indigestion or difficulty in swallowing, and (7), change in a wart or mole.

"If your signal," says the Society and its divisions in every state in the union, "lasts longer than two weeks, go to your doctor to learn if it means cancer."

### About Banks

IDAHO BANK & TRUST Co. opens new head office quarters in Pocatello.

LUFKIN (Tex.) NATIONAL BANK holds open house in its new building.

FIDELITY UNION TRUST COMPANY opens remodeled new Equitable of-

Office, Fleming Avenue and Chapel Street, Newark.

BUENA VISTA (Ga.) LOAN AND SAVINGS BANK held 71st anniversary celebration in newly-renovated offices.

### **Dairymen's Monthly Lauds A.B.A. Committeeman**



Giles H. Miller, Jr.

"A BANKER who learned dairy farming while acting as cashier of the Culpeper (Va.) National Bank; the grandson of a country editor who spoke 5 languages and was blind for 81 years; the former president of the Virginia Bankers Association, an honor never before bestowed on the son of a former VBA president: these are just a few of the highlights of the rich career of GILES H. MILLER, JR.,"—thus began a feature on this bank president and member of the A.B.A. Committee on Federal Fiscal Procedures, in the July issue of *Maryland & Virginia Milk Producers News*.

"Although possessed of nothing more than the usual mortal equipment," it continued, "... GILES MILLER manages to lead a double existence as president of Culpeper National Bank and owner-operator of 422-acre Fairview farm and renter of another 565-acre feed farm and grazing area. Through it all, he maintains the calm, easy-going brand of poise which has distinguished Virginians for generations."

As well as having been president of the Virginia Bankers Association, as his father was before him, this banker and active dairy farmer has been vice-president for Virginia of the A.B.A. and served on A.B.A. committees for many years. He is also presently chairman of the Piedmont Clearing House Association.

The occasion motivating the feature in this monthly was Mr. MILLER's election to the board of directors of the Maryland and Virginia Milk Producers Association.

CENTRAL ISLIP (N. Y.) NATIONAL BANK merges into FRANKLIN NATIONAL BANK OF LONG ISLAND, Franklin Square, N. Y.

INDUSTRIAL CITY BANK AND BANKING Co., Worcester, Mass., starts construction of first branch, Harding and Ellsworth streets. Target date: November.

UNITED STATES NATIONAL BANK, Portland, Oreg., opens its second Eugene branch, its 66th in the state.

Newly - organized LAKESIDE NATIONAL BANK, Lake Charles, La., schedules November opening on Broad Street site.

INDUSTRIAL NATIONAL BANK of UTICA, N.Y., becomes BANK of UTICA.

MORGAN COUNTY NATIONAL BANK, Decatur, Ala., becomes FIRST NATIONAL BANK OF DECATUR.

FIRST NATIONAL BANK of JONESBORO, Ark., becomes PEOPLES NATIONAL BANK of JONESBORO.

AMERICAN TRUST COMPANY, San Francisco, opens Monterey Street branch in Morgan Hill.

FIRST NATIONAL BANK of LOUISVILLE, Ky., opens Produce Place Branch.

VALLEY BANK AND TRUST COMPANY, Springfield, Mass., opens Pine Point branch.

ALLIANCE (Ohio) FIRST NATIONAL BANK merges with CITY SAVINGS BANK & TRUST Co. New name: FIRST NATIONAL CITY BANK.

THE THIRD NATIONAL BANK, Rockford, Ill., becomes FIRST NATIONAL BANK AND TRUST COMPANY.

CENTRAL NATIONAL BANK of CLEVELAND opens 27th branch; location is Eastgate Shopping Center.

PROSPECT NATIONAL BANK, Trenton, N. J., merges into TRENTON TRUST COMPANY.

COMMERCIAL STATE BANK AND TRUST COMPANY of NEW YORK and BANK OF NORTH AMERICA merge. New name: COMMERCIAL BANK of NORTH AMERICA.

### **Midland (Tex.) National Cashier Dies in Tragic Auto Crash**

SORROWFUL news to his friends and BANKING's readers—on this past August 21, Glenn H. Fischer, cashier at the Midland (Tex.) National Bank, together with both his wife and her mother, was fatally injured in a tragic automobile collision near Waco, Tex. The Fischers' two children, Tommy, age 12, and Sally, 1 month, were also with them in the car wreck. Tommy, seriously injured, is recovering. Little Sally was only scratched.

A trust fund has been established for the benefit of the orphaned Fischer children. Contributions may be sent to Phil M. Adams, vice-president and trust officer, The Midland National Bank, Midland, Tex.

FIRST MECHANICS NATIONAL BANK, Trenton, N. J., and TRENTON BANKING Co., merge. New name: FIRST TRENTON NATIONAL BANK.

Newly-organized MILTON (Mass.) BANK & TRUST Co., set for January opening.

Newly - organized OLYMPIA STATE BANK OF CHICAGO HEIGHTS, Ill., plans November opening in Olympia Plaza Shopping Center.

POMPEII STATE BANK opens Middleton, Mich., office.

WILSON (N. C.) INDUSTRIAL BANK merges into BRANCH BANKING & TRUST Co., becomes their Wilson branch.

SEATTLE (Wash.) FIRST NATIONAL BANK purchases NORTH WESTERN BANK, Spokane, to operate as their North Western branch.

FIRST NATIONAL BANK OF DECATUR (Ala.)—new name for MORGAN COUNTY NATIONAL BANK, Decatur.

CROCKER-ANGLO NATIONAL BANK opens new Tennessee Street office in Vallejo, Calif.

NATIONAL BANK of ODESSA, Tex., starts building construction. Target date: January 1, 1959.





## When your wheat goes overseas . . .

use Chase Manhattan's world-wide  
network of 51,000 bankers-at-the-spot

When you take your international trade problems to the people at The Chase Manhattan Bank, the services of a world-wide network of 51,000 correspondent banks and branches are immediately at your disposal.

Whatever, or wherever your problem, you get the overseas help you need from the banker-at-the-spot . . . the man who has an intimate knowledge of local trade conditions and knows how to make them work for you.

This is possible because Chase Manhattan has a close personal relationship with its foreign correspondents.

Chase Manhattan and its stateside correspondents handle the U. S. problems of the Bank's overseas correspondents. They, in turn, get things done for Chase Manhattan in their own countries. Such reciprocity enables you to get more efficient banking service in the markets of the world.

Here at home, experienced men in the International Department sit down and talk things out with you personally. They work with you on a basis of individual analysis and imaginative planning. And knowing the right men in the right places, they can quickly

contact the banker-at-the-spot who can best help you.

If you have import or export problems, phone HAnover 2-6000 or write to International Department, The Chase Manhattan Bank, 18 Pine Street, New York 15.

**THE  
CHASE  
MANHATTAN  
BANK**

Chartered in 1799

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

## WELCOME WAGON RETAINS, REGAINS, OBTAINS CUSTOMERS

As a Welcome Wagon Sponsor, your bank can profit from lasting friendships formed with newcomers and established families. Your gift in the Welcome Wagon basket—your participation with religious and civic organizations in the Call—are clear expression to the family of your personal interest in them. For information write: Welcome Wagon Building, 685 Fifth Avenue, New York 22, New York.

## WELCOME WAGON

INTERNATIONAL

## Blouin Displays give banks what they want

### ... AT LOW COST

**BLOUIN DISPLAYS** help sell  
**MORE** bank services

... dress-up smartly a bank's show windows and lobby.

... give banks using them a real competitive advantage.

... provide a year-round selling program that is always up-to-date.

... each display personalized to your bank!

... installed in-a-jiffy!

### LARGE BANK OR SMALL BANK

—there is a Blouin display program to suit *every* bank budget. SO—whether you want to spend \$5 a month or \$50 a month, *if you want your bank to stand out in your community*, it will pay you to consider Blouin displays when planning your 1959 advertising budget.

Some of the biggest names in banking—and many small banks, too—consider Blouin displays a good buy. Let us tell you more about our services. If you would like—we'll analyze your particular display problems at no cost or obligation to you. Please mail the coupon today.

- ☐ We are interested in knowing more about your services.
- ☐ Please send your Display Analysis form. We would like a Display Analysis of our bank. We understand there is no cost or obligation for this service.

Bank .....  
By ..... Title .....  
Town ..... State .....

**MAURICE F. BLOUIN, INC.**  
Bank Exhibits  
SOUTH BERWICK, MAINE

## Main Street

(CONTINUED FROM PAGE 30)

FRANKLIN (Ky.) STATE BANK sets November 1 opening date.

Newly-organized SOUTHERN INDUSTRIAL BANK OF JACKSONVILLE (Fla.) sets late fall opening date.

OSWEGO (Ill.) COMMUNITY BANK opens on Main Street.

FIRST TRENTON (N. J.) NATIONAL BANK opens after ribbon-joining ceremonies. Bank is result of merger of TRENTON BANKING COMPANY and FIRST MECHANICS NATIONAL BANK, situated on opposite corners of State and Warren Street intersection.

MORTON (Ill.) STATE BANK becomes FIRST NATIONAL BANK of MORTON.

CENTRAL STATE BANK, Elkader, Iowa, absorbs FARMERS STATE BANK, St. Olaf; operates as branch.

NATIONAL BANK of COCKEYSVILLE, Md., merges into FIDELITY-BALTIMORE NATIONAL BANK, operates as their Cockeysville office.

MEADOW BROOK NATIONAL BANK, West Hempstead, N. Y., starts construction on Baldwin and Baldwin Harbor buildings. Target date: mid-1959.

DANBURY (Conn.) NATIONAL BANK opens first branch, Federal Highway No. 7.

FIRST INDUSTRIAL SAVINGS BANK of TAMPA (Fla.) becomes NORTH-SIDE BANK of TAMPA upon conversion from savings to commercial institution.

THIRD NATIONAL BANK, Rockford, Ill., becomes FIRST NATIONAL BANK AND TRUST CO.

CENTRAL ISLIP (L.I., N.Y.) NATIONAL BANK merges into FRANKLIN NATIONAL BANK of LONG ISLAND, becomes its Central Islip office.

CITY SAVINGS BANK AND TRUST CO., ALLIANCE (Ohio) FIRST NATIONAL BANK, plan merger. New name: FIRST NATIONAL CITY BANK.

BANK of N. T. BUTTERFIELD & SON, LTD., Hamilton, Bermuda, celebrates centennial. Five generations of the Butterfield family have headed Bermuda's oldest financial house. The Hon. H. D. Butterfield is presently managing director.

FIRST NATIONAL BANK of NEVADA opens office at Stead Air Force Base, just outside of Reno.

VALLEY NATIONAL BANK starts on temporary and permanent facilities for Scottsdale, Ariz. Target dates: temporary, November; permanent, April.

(CONTINUED ON PAGE 84)

## N. Y. State Banking Department Exhibits at State Fair

The New York State Banking Dept.'s services to its public as "Protector of Your Money," symbolized by a knight in shining armor, were colorfully illustrated to some 45,000 visitors by the department's exhibit, right, at a 9-day State Fair held at Syracuse running through early September. The department's functions, responsibilities, and job opportunities within it were all explained. A favorite stopping point for visitors was an IBM machine, into which individuals could "feed" figures indicating desired retirement goals. The machine would then deliver a card giving a savings guide toward attainment of these goals.



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Mosler  
invites you  
to preview  
a new  
concept in  
drive-in  
banking.





Note how the "NEW PICTURE WINDOW" accommodates vehicles of any size...from sports cars to trucks

# Meet Mosler's radically

*the drive-in window designed for you...with your help!*

Mosler's strikingly handsome "New Picture Window" was designed for and around your customers, your tellers. To ferret out all the weak points in existing installations, hidden cameras were used to photograph drive-in windows, *in action*, in many cities. The movements of tellers, depositors and depositors' cars were charted and analyzed. Hundreds of tellers and customers were personally interviewed. Also incorporated into the final design are the findings of the recent A.B.A. Survey on drive-in banking. From these data this radically new drive-in window was *human-engineered* for efficiency, comfort, economy and beauty.

On this and the following pages we have room to show you only the highlights. Write or call Mosler for complete specifications.



Modular, under-counter accommodation designed, flexible storage below counter, ample work space anywhere above. Bay-type window offers unobstructed view of approaching cars.

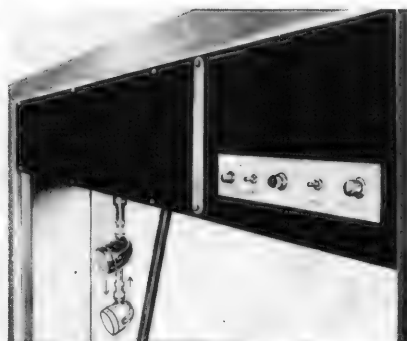




# NEW PICTURE WINDOW"



...ation designed, electrically operated, deposit drawer  
...le works anywhere up to 14 inches. Button extends  
...nobility further. Drawer is draft-proof, open-end  
...nel" design - customers reach straight in.



Periscope-type microphone is an integral part of all new high fidelity intercom that eliminates squeaks, echoes and squawks. The system is constant, not manual.



Note room for equipment. This arrangement shows four drawers (one a special coin storage) and two large cabinets can be installed in different combinations. Sill is draft, waterproof.

Everyone has  
his own reason  
for liking the  
“NEW PICTURE WINDOW”



**“Solves car-height problem”**

*J. Robert Sherwood, President, Suburban Trust Company, Hyattsville, Md.*

“Old windows were designed for what used to be average car height. This new window handles all vehicles...comfortably. Another improvement is the deposit drawer. It's draft-proof—the customer reaches *straight in* instead of over and down. But most important is its extendability. A flip of a switch advances it...and stops it...anywhere up to 14 inches. If this isn't far enough, a button extends it even further. Together with all its other teller and customer conveniences, we think Mosler's 'New Picture Window' is a 'must for modern drive-in banking'.”



**“Lets tellers...hear and see”**

*Theodore F. Scharf, Vice-President and Director of Operations, Marine Trust Company of Western New York, Buffalo, New York.*

“Our architects tell us Mosler's 'New Picture Window' blends with any building style. And, its spaciousness lets our tellers work more efficiently. But more important is its intercom. Echoes and squawks of old systems made our tellers expert at sign language. Mosler's high fidelity amplifier and adjustable microphone balance for clear, easy communication. The new window's bay construction allows tellers to see cars approaching. Its full-length skirt makes customers approach easy.”



**“Easy installation”**

*John W. Howie, Partner, Robert A. Howie, Jr. Sons, Newark, N. J., builders and consultants to Jersey's largest financial institutions.*

“For older windows we build a thick sill, about 30 inches off the ground, adding expense, and greatly reducing knee space inside. The 'New Picture Window's' heavy gauge, stainless steel 'skirt' extends to the ground, providing ample leg room, maximum security. To install, we slide in the entire window and seal. Bolts adjust the window's depth from 8 to 14 inches to match wall thickness. Remember, the builder first hears about malfunctions. Mosler windows keep complaints at a minimum.”

*Integrated Banking Equipment by*

*320 Fifth Avenue, New York 1, N.Y.*

*World's Largest Builder of Safes and Bank Vaults*

## The OUTLOOK and CONDITION OF BUSINESS

**T**HE extent and the pace of business recovery will depend largely on consumer demand in the next few months.

The groundwork for a substantial expansion in business activity is present, but it is the same groundwork as existed last fall at the start of the recession. The consumer has held the recovery ball right along and is now more inclined to run with it. Savings continue to rise in all sectors, but buying also has held up well. Soft goods are still in greater demand than hard goods, and department stores, in the light of these events, must decide now whether or not to increase their inventories for the fall and holiday seasons. Lack of goods may result in a curb on sales in the weeks and months ahead.

### *Mixture of Optimism and Inflation*

Optimism, coupled with fears of inflation, has generated some buying. Savings have been drawn to purchase securities and real estate. Personal income, on a year-to-year basis is considerably ahead of 1957.

Factors responsible for the repeated new highs in personal income include the much greater volume of unemployment benefits and higher social security payments, more farm income, well sustained dividends, and wage rates which steadily rose throughout the recession.

Another powerful stimulant too seldom mentioned as helping to end the recession has been the way advertising has been maintained. A recent poll of advertising agencies shows that most of them had higher billings in the first six months than the same period in 1957.

More than half of them expect increases in the current half year.

Up to this point, building has been one of the bright spots. The dollar volume of new construction in August rose to a record monthly level of \$4.8-billion. This brought expenditures for such purposes for the first eight months to \$31.5-billion, against \$31.2-billion in the like 1957 period. Owing to the inflationary price rise, the physical volume of construction was about the same in both years.

### *Business Spending Turns Up*

One of the brighter signs in the picture seems to be that businessmen and industrialists now plan an increase in their expenditures for plant and equipment, perhaps in the fourth quarter.

This is somewhat unexpected. It was generally anticipated that plant and equipment spending would not be stepped up until well into 1959. Official estimates are now that expenditures will be \$31-billion for 1958 as a whole. This would be about 16% below the \$37-billion of last year. But it could have been worse.

### *Backlog of Consumer Demand*

The key factor in the immediate future is the pentup demand for consumer goods. Much stress has been laid on the fact that purchase of nondurables has increased and has more than offset the drop in durable buying, but the important thing has been the slowdown in rate of growth in consumer demand. This was going on all during the boom years of 1956 and 1957.

During 1954 and 1955 this growth was at the rate of \$16-billion yearly. In 1956 the figure dropped to barely \$6-billion and was declining rapidly. In the first half of 1957 it was \$1.2-billion and in the second half there was no growth at all in consumer buying. This was true also during the first half of this year and, of course, population is always rising. Therefore, while everyone was encouraged by the way consumer spending kept up during the recession, the actual per capita standard of living was declining.

The last previous time this drop in rate of growth of consumer demand occurred was in the first few years of this decade. By the middle of 1954 there was a considerable backlog of demand which found release in the upward surge of consumer buying in the final quarter of 1954 and the following year.

### *More Potential Than in 1954*

The situation today is therefore analogous and in

(CONTINUED ON PAGE 148)

# The Small Business Investment Act of 1958

## *Its History and Provisions*

CARL M. FLORA

MR. FLORA, who is vice-president of the First Wisconsin National Bank, Milwaukee, is chairman of the Small Business Credit Commission of the American Bankers Association.

**T**HE Small Business Investment Act of 1958, Public Law 85-699, 85th Congress (S. 3651), is an act to make equity capital and long-term credit more readily available to small business concerns.

Realizing the importance of small business to our economy, the American Bankers Association established the Small Business Credit Commission in 1944. This Commission carried out a comprehensive, nationwide program to alert banks to the importance of furnishing adequate credit to small business in the post-war period. Also the Commission furnished information on specialized lending procedures to enable the banks to meet more effectively the credit needs of small business.

The number of new small business

units formed since the war and the large volume of credit extended to small business demonstrated that the banks were doing their job in this field.

However, since 1949, committees of the Senate and the House have considered many bills to provide credit and equity financing to small business concerns. Banking has been faced with the political problem of trying to convince these committees that adequate credit was available to small business through banks and other private lenders.

Fortunately, the report made last spring by the Federal Reserve System to the Senate and the House committees shows *that adequate credit is available to small business from banks and private sources*. However, the report indicates that there is a gap in the field of equity financing.

When it became apparent earlier this year that Congress would pass legislation to furnish equity capital

and long-term credit to small business, President Joseph C. Welman appointed a special committee to study this legislation. This committee submitted its report to the Administrative Committee and the Executive Council at their meeting last April, and the report was unanimously approved.

In making their recommendations, the committee had in mind three primary factors:

(1) That there is real need at this time to stimulate the availability of capital funds to small business.

(2) That the taxpayers' money should be used for such purposes to the least extent possible.

(3) That the banking system should participate in the program to the greatest extent possible consistent with sound banking practices.

The act, as passed by Congress, conforms with the principles advocated by the American Bankers Association and contains many provisions recommended by the A.B.A.



The act is the result of years of study by both House and Senate committees and in our opinion represents a sincere and intelligent attempt to solve the problem of making equity capital more readily available to small business concerns.

There is widespread public interest in this new legislation, and a number of banks and other financial institutions have already applied for charters to establish small business investment companies.

While this act makes it possible for banks to assist in making equity capital and long-term financing more readily available to small business concerns, it should be realized that Congress frankly recognized that this program is an experiment.

The following paragraphs briefly explain the important provisions of the act.

### **Organization**

The act establishes a division of the Small Business Administration to be known as the Small Business Investment Division. This division has the authority to: charter, regulate, and examine small business investment companies; lend funds to such investment companies; and lend funds to state and local development companies.

### **Revolving Fund**

The act creates a revolving fund of \$250,000,000 for the Investment Division of the Small Business Administration, such funds to be borrowed from the Treasury.

### **Small Business Investment Companies**

Small business investment companies may be formed to operate under this act by a minimum of 10 persons. These companies may be chartered under the state law (if a proper state law exists) or by SBA. Each small business investment company is required to have a board of directors of nine members to be elected annually by the company's stockholders. The primary function of these small business investment companies is to provide long-term loans and equity capital to small business concerns.

A small business investment company is required to have a paid-in capital and surplus of \$300,000 before it may start business. Stock in such companies may be purchased by individuals, partnerships, corpora-

tions, insurance companies, and financial institutions, including Federal Reserve member banks and nonmember insured banks. No Federal Reserve member bank or nonmember insured bank, however, may hold shares in such companies in an amount aggregating more than 1% of its capital and surplus.

The SBA is authorized to provide a maximum of \$150,000 to each such company formed, through the purchase of subordinated debentures. These debentures shall be considered as part of such companies' paid-in capital and surplus for purposes of the minimum capital required for formation of an investment company.

Small business investment companies are authorized to borrow money from private sources under regulations prescribed by the SBA.

The SBA is authorized to lend them money. The amount the SBA may lend and have outstanding to any company may not exceed 50% of the paid-in capital and surplus of such company.

Small business investment companies are authorized to provide equity capital to small business concerns through the purchase of convertible debentures. These debentures are to be convertible into stock of the small business concern at the sound book value of such stock as determined at the time the debentures are issued.

Whenever an investment company provides capital to a small business concern through the purchase of convertible debentures, such concern will be required to purchase stock in the investment company in an amount equaling from 2% to 5% of the amount of the capital provided.

The act provides that loans made by these companies shall be "of such sound value, or so secured, as reasonably to assure payment." These loans may be made directly or in participation with other lending institutions on an immediate or deferred basis. The maximum maturity of such loans is 20 years, but the maturity of a loan may be extended for an additional 10 years if such extension will aid in the orderly liquidation of the loan.

Without approval of the SBA, the total amount which a small business investment company may lend and invest in a single small business concern may not exceed 20% of the combined capital and surplus of such investment company.

### **Exemptions**

To expedite the financing of these companies, certain exemptions are provided from the Securities Act of 1933 and the Trust Indenture Act of 1939.

### **Conversion of State Development Companies and State Chartered Investment Companies**

Both state development companies and state chartered investment companies may, with the approval of the SBA, be converted to small business investment companies. However, authority for such conversion will terminate on June 30, 1961.

### **SBA Loans to State and Local Development Companies**

In order to encourage the growth and development of state and local development companies, the act authorizes the SBA to lend money to such companies. However, the SBA may not lend to any such company an amount greater than the company has borrowed from all other sources.

### **Repeal of Section 13 B of the Federal Reserve Act**

Section 13 B of the Federal Reserve Act will be repealed one year after the passage of this act.

The funds which the Federal Reserve banks have received from the Treasury Department under Section 13 B, amounting to approximately \$27,500,000, are to be returned to the Treasury and to be put into a special fund to be available for grants by the SBA for management counseling as provided in the act.

### **Regulations**

Regulations and forms are now being drafted and are expected to be published in preliminary form in the *Federal Register* early in October. There will then be a 30-day period for comment, so that the final regulations will not be promulgated until some time in November at the earliest. SBA is not accepting applications for the licensing or chartering of small business investment companies until the regulations are issued and application forms distributed.

Bankers interested in this program who wish to receive the regulations, instructions, and forms when printed should write to the Investment Division, Small Business Administration, Washington 25, D. C.

# Washington

## Inflation Small Business Bank Examination Policies

THOMAS W. MILES

ONE of Washington's biggest single worries now is Inflation, with a capital I. That is not to say that it takes precedence over national security in the recurrent flareups of the Cold War. But as a threat to our domestic economy, which is the citadel of our strength, the Administration is finding Inflation very much a Hot War.

You have only to be here in Washington to hear the scuttlebutt and read official speeches or "documents" to feel the heat of it.

In view of a mounting deficit, officially described by Budget Director Maurice H. Stans as the biggest in peace time in the nation's history, President Eisenhower has formally called upon the departments, bureaus, and agencies of the Government for "Spartan economy." It is the Executive Branch which spends the money that Congress appropriates—and it can hold back or slow down on orders from headquarters.

Congress authorized \$5-billion more in expenditures than the President sought in his budget last January. Expenditures this year will be \$7.3-billion more than last year.

When the mid-year review of the Budget came out last month, Mr. Stans disclosed that the \$12-billion deficit estimated for the current year has now gone up to \$12.2-billion. And, if revenues do not pick up, the deficit might very well go up even more.

The arithmetic in the situation is this:

As of last January, receipts esti-

mated at \$74.4-billion; expenditures at \$73.9-billion; surplus \$500,000,000.

Currently receipts estimated at \$69-billion; expenditures at \$79.2-billion; deficit \$12.2-billion.

The public debt, which was \$276.3-billion on June 30, is now estimated to be \$283-billion by the end of next June.

That deficit is a grim spectre because it is definitely inflationary. The Committee on Economic Development (CED) struck a responsive chord when it called inflation "the cruelest tax."

### Where Responsibility Rests

Meanwhile, quietly but insistently, the Budget Bureau has been making this point: "The final responsibility is with the people, acting through their representatives in the Congress. We have seen this amply demonstrated in the last two Congressional sessions, one of which engaged in cutting the budget and one in adding to the budget."

In line with its economy policy the Administration has announced its intention to freeze \$1.1-billion in extra defense funds voted by Congress. Other executive agencies have orders from the Budget Bureau to "hold it down." The heat is on.

The President vetoed the Area Redevelopment Bill, in which Congress appropriated much more lavishly than the President asked. This bill would have established a 4-year \$279.5-billion Federal program of loans, technical assistance, and grants for the construction of industrial plants and facilities in areas of

chronically heavy unemployment.

When the President disapproved it, he called it unsound and criticized its heavy reliance on Federal participation, its long-loan maturity terms and "artificially low" interest rates. He wants a "more soundly conceived program."

Both the Federal Reserve Board and Treasury are playing their parts in the fight against inflation. Federal Reserve banks, one after another, have been raising their discount rates from 1¾% to 2%. The Treasury's struggle makes a story of its own, an incompleting story at this writing as the Treasury faces an enormous series of refunding operations in the coming months.

This matter of fiscal controls is bound to come up for review again when Congress comes back January 7. For one thing the Senate Finance Committee is not yet finished with its inquiry into the financial condition of the nation.

### The Byrd Questionnaire

The record of its hearings last fall and winter and the six chapters of replies to "the Byrd questionnaire" were perforce allowed to simmer as the committee applied itself to a heavy work load. The committee members were too sharply divided to come up with any kind of a report. And anyway, as things developed, there was no political "pay dirt" in the hearings. It is news of the first importance that the committee was careful to leave open the possibility of resuming its inquiry in January.

A number of economists and

others suggested that price stability might very well be included as a goal of the Full Employment Act of 1946. **BANKING** reported on their answers in its August issue.

The question has cropped up again and will become an issue in the forthcoming 86th Congress. It is one of seven general categories of questions raised by the Subcommittee on Economic Stabilization of Chairman Wright Patman's Joint Economic Committee.

### Another Questionnaire

Representative Patman has distributed a questionnaire to the heads of the economics departments of 150 selected universities who are in turn being asked to distribute it to members of their respective faculties, covering in all approximately 1,500 authorities. Its announced purpose is "to gain for the committee and for the Congress a canvas of professional opinion concerning stabilization problems and policies."

The 4-page folio calls for "yes" and "no" answers and otherwise facilitates reply through the medium of checking the right answers. And included among the questions are a number of Mr. Patman's own pet subjects, such as whether, by adding to costs or otherwise, tight money may have contributed to rising prices and whether banks should be required to pay interest on Government deposits.

### Good Year for SBA

In an understatement Wendell B. Barnes, Administrator of the Small Business Administration, came out with a news release early last month which called the year "a high-water mark" for legislation benefiting small business concerns.

It certainly was. The SBA was made a permanent agency, an official advocate in Big Government for Small Business; its lending authority was increased; it was authorized to provide long-term loans and equity capital; and steps were taken to ease the tax burden on small business.

But it is the Small Business Investment Act (now P.L. 85-699) on which attention is focused. The SBA is setting up the administrative machinery now to start operations about January 1. Through its Small Business Investment Division the SBA will license state-chartered and privately owned and operated small

business investment companies to receive SBA financial assistance, tax and other benefits. Forms should be available in SBA field offices November 1.

The SBA is authorized to purchase subordinated debentures of small business investment companies to provide part of their capital and to make long-term loans to enable these companies to carry out the purposes for which they were created. (See also Carl Flora's article on page 38.)

The House Select Committee on Small Business, which Representative Patman heads, came out promptly with a report on "How Small Business Concerns May Obtain Financing under the Small Business Investment Act of 1958." This was reproduced extensively. In it the bill was referred to as the "Johnson-Patman Act," which caused a few eyebrows to rise on Capitol Hill, because the new statute differs materially from the "Capital Bank Bill" initially proposed by Majority Leader Lyndon B. Johnson of the Senate and Mr. Patman. Their measure would have established a small business capital bank system embracing 12 small business capital banks under the administration of a new Federal agency.

President Eisenhower, in vetoing the Distressed Areas Bill, pointed to one of the first jobs the new SBA program will have; namely, to meet the needs of areas of "severe and persistent unemployment" through the new loan programs.

### On Bank Examinations

The matter of bank examinations came up for official notice and comment by two of the bank supervisory agencies during the month. Chairman Jesse P. Wolcott of the Federal Deposit Insurance Corp., made the point that "it is less the job of the Corporation (FDIC) to prevent bank failures than to cushion their impact."

And Comptroller of the Currency Ray M. Gidney went to some length in his annual report to outline for Congress as a matter of record the basic purposes and procedures of his office in conducting these examinations.

Cushioning the impact of bank failures, in Mr. Wolcott's opinion, entails more than the psychological factor resulting from the protection given depositors against loss. It re-

quires also that deposits be made available promptly in order that they may continue to play their part in maintaining the flow of goods and services.

### Regular FDIC Examinations

Once banks are insured, Mr. Wolcott pointed out, the FDIC seeks to reduce its risk by regular examinations. But notwithstanding its best efforts and those of other bank supervisory agencies, Mr. Wolcott noted, banks do fail. He cited mistakes in judgment by bank officers, with the comment that the private enterprise system "must include, as an incident, the right to make mistakes."

Mr. Wolcott did not gloss over the fact that a majority of the failures of insured banks during the last several years have been due to defalcations of various kinds. But, he pointed out, "banks themselves have a particular responsibility in preventing defalcations and other internal abuses which may lead to failure, a responsibility recognized in the fidelity bonds they carry."

Mr. Wolcott also indicated that the FDIC is increasingly aware in its examinations of variations in the loan needs of customers of individual banks.

Anticipating an increase in bank deposits from the present figure of \$230-billion to \$600-billion by 1983 as the economy grows, Mr. Wolcott went into the subject of the ratio of bank capital to assets. He held that it is incorrect to assume that the additional needed capital can be made available unless there is a change in current practices.

Indeed, the current ratios are not sufficient today and will be less satisfactory in the years to come, in Mr. Wolcott's opinion.

Where will the needed capital come from? Well, Mr. Wolcott saw it in retained earnings, of course, and in the sale of bank stock to the public. The latter, he advised, has "many desirable consequences."

### Policy Indication

And then in what was taken as FDIC policy, he said:

"Supervisory officials during the next quarter century must make it a cardinal point to see to it that the banking system is adequately capitalized."

He was forthright in saying that there still remains an uncomfort-



ably large number of banks with inadequate capital.

### Mr. Gidney's Report

In Comptroller Gidney's annual report, which he later discussed with BANKING, he described the scope of a bank examination as primarily concerned with determining two points: (1) that the bank is solvent, and (2) that it is operating within the framework of applicable banking laws.

Mr. Gidney reported that the examination procedure consists essentially of proving all asset and liability accounts against the bank's major book of account, the general ledger; the actual verification of all assets and the appraisal of all assets to determine their current reasonable dollar values in relation to their face or book values and their potential relative soundness as bank assets if retained in their present status over near-term future periods.

He pointed out that this, with an appraisal of the ability and capacity of management, the general nature of its policies, and the status of lo-

cal economic conditions, adds up to a determination of existing solvency, probable future solvency and the strengths and weaknesses of the institution.

During 1957 such examinations were made by Mr. Gidney's office in 6,832 national banks, 5,566 branches, 1,526 trust departments, and 67 affiliates. In addition, 19 state banks were examined in connection with consolidations and mergers with, or purchase by, national banks and four state banks were examined in connection with conversions to national banks. The office had a staff of 1,106 persons.

### Salary Survey

In another section Mr. Gidney reported on a survey of the compensation paid officers in 3,980 national banks with deposits of less than \$25,000,000. His comments are best quoted in full:

"This office has long recognized the importance for banks, particularly the small institutions, to maintain competitive wage structures in their community and with industry.

"This is especially important in

assuring continuity and depth in management, as it has become increasingly difficult for banks to obtain experienced executives who may be required for replacement or expansion purposes.

"In addition to a scarcity of capable bank officers, taxes, pensions, and other fringe benefits have made the availability of executive banking talent much less fluid. For these reasons it appears increasingly important that individual banks be certain that their executive incentive programs afford reasonable assurance for management retention and succession. An adequate compensation plan is a basic factor in implementing this program."

After calling attention to a table showing the average annual compensation of the five highest paid officers in the banks in the 12 Federal Reserve districts covered, Mr. Gidney commented:

"These statistics confirm the prevailing opinion that the larger banks located in the downtown districts of cities and towns primarily dependent upon an industrial or

(CONTINUED ON PAGE 134)

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## Varied Tax Changes Made by Congress

**S**WEEPING changes in income, excise, and social security taxes were made by Congress in the session just ended, according to Commerce Clearing House, national reporting authority on tax and business law.

Complex new tax amendments cover many special situations and affect both corporate and personal income taxpayers, CCH notes. New tax relief favoring small business; boosts in social security taxes on employers, employees, and the self-employed; and as the most extensive excise tax changes in more than 25 years add to the score of the 85th Congress' tax action.

Some of these changes will affect the total taxes paid by those concerned, though the income and excise tax legislation contains no rate changes as such. The general effect of the 1958 amendments is to add to the scope and complexity of the tax statutes.

Income tax change made in the Technical Amendments Act of 1958 had been under consideration for almost two years.

Starting out in the fall of 1956 to reflect a Congressional subcommittee's analysis of 28 "loopholes" and "hardships" in the law, the measure gath-

ered both new provisions and momentum as it proceeded from House to Senate.

As finally passed, this legislation had grown to contain 109 separate sections affecting over 200 important tax areas.

Tax relief grafted on to this measure in its final stages gives small business special income tax advantages in stepped-up depreciation deductions, loss carrybacks for three instead of two years, increased credit for accumulated earnings, instalment payment of estate taxes and new deductions for small business stock losses, CCH notes. New ways for the stockholders of closely-held corporations to elect to have the company income taxed to them are also among the innovations.

Important changes affecting vacation pay, depletion, subdivided real estate, lease improvements, casualty losses, condemnations, net operating losses, dividends received, collapsible corporations, accounting methods, stock options, bad debts, contributions and many other common situations are included in the new income tax law, according to CCH, which points out that excise tax changes were also under consideration for over two years. The

separate 400-plus page Excise Tax Technical Amendments Act of 1958 brings about the most comprehensive revision of the excise tax structure since 1932.

**S**OME of the new provisions affecting the excise taxes on manufacturers, retailers, facilities, services, admissions, alcohol and tobacco, as well as stamp taxes, generally effective January 1, 1959, will alter the tax burden for those concerned. Important changes in computing the stock transfer and issuance taxes were made in this law.

Social security taxes on employers, employees and the self-employed and the amount of wages taxed were raised in a separate law.

Beginning next January, the social security tax rate on employers and employees is raised to 2½%, up from 2¼%, while wages or salaries taxed go up to \$4,800 annually, from \$4,200. The rate on the self-employed is increased 3¼%, up from 3%, applying to the first \$4,800 of income. These higher taxes will support increased benefits of about 7%. Other changes in the social security rules were also made in this legislation.



# Regular Advancement

LESLIE WALLER

**I**T'S hard to think of banking as being in the process of a profound and far-reaching revolution. To those of us in banking, and especially to the general public, nothing could seem more settled or mature.

Pretty nearly all of the crises and emergencies that can afflict an industry have already happened long ago in banking. This maturity factor makes advancement on the job steadier and more certain than in many other industries.

But since the end of World War II—and partly as a result of discoveries made during that war—a deep-seated industrial revolution has taken root throughout the country. Nowhere will its effects be more marked than in banking.

We commonly call that revolution "automation."

Elsewhere in this discussion of banking as a career, we will talk more about automation and how it can affect the attitude and working conditions of people in other industries. But right now, let's see what this electronic change will mean for you who plan a career in banking.

## **Automation Promises Opportunity**

We all understand that the application to banking of "memory drums," electronic computers and automatically-controlled printers, with the tremendous safety factors that can be built into such systems, can mean the end of drudgery, like time-consuming searches to reconcile differences. New developments in magnetic coding of checks, new concepts in matching account numbers to customer names, will also play a great part in this almost fantastic advance in efficiency, accuracy and customer service.

At the same time, new opportunities are already opening up for careers in banking which the founding fathers of your bank never dreamed possible. We will, as a matter of course, see electronics experts rising steadily within the personnel structure of our banks. One of them may be you.

But the revolution will affect everyone in banking, regardless of specialty, because the net result of automation will be to put banking in step with the jet-propelled, space-oriented age in which we live.

## **"Slow-and-Steady" Policy**

The future is going to move at an ever faster pace. Check-clearing and loan-making will have to be streamlined. The banks from which the public demands this jet-age efficiency will soon see that only through electronic modernization will they be able to fulfill their primary purpose in life: To give the customers the kind of service they need and want.

On that not-too-distant day, we will look back at the present age of banking and see that a "slow-and-steady" personnel policy made a great deal of sense. For only through this slow-and-steady development is banking able to advance, to positions of leadership, people trained and able to grasp the challenge of the future and make it work.

Today, on the threshold of automation, banking's personnel policies are a vital factor in your decision to plan a career. We have mentioned banking's maturity as an industry as one plus factor. Another is freedom from the sometimes irrational decisions of higher-ups found in other industries.

The top management of banking cannot afford to indulge in flam-

boyant, impulsive, personal decisions. Because there is no room in banking any more for this kind of thinking, you can be sure that raises and promotions are made in accord with the same logical, factual, tested thinking that guides the bank as a whole.

In fact, most banks try to manage their personnel decisions along the planned lines on which they operate any other part of the business.

Scheduled regularity—covering review of each person's merit, the responsibility he or she has undertaken, etc.—applies more to raises than to promotions, it is true. Other factors are also taken into consideration when promotions are made. Here are some of them:

- (1) Maturity of the individual
- (2) Professional experience
- (3) Technical education
- (4) Leadership abilities
- (5) Willingness to learn new things

## **Promotions from Within**

Nothing makes the top management of most banks happier than to be able constantly to promote from within. Nothing operates more smoothly and more happily than a bank whose staff has learned to take advantage of executive training programs, and of training in newer skills like automation techniques, to prepare itself for promotion.

The way to the top in banking has, in the past, been as slow and steady as climbing a mountain . . . with a view from the summit as rewarding as any from Everest. In the near future, the way to the top may move with the speed of the latest electronic computer. Now, on the threshold of great changes, is the time to plan your own path to the future of banking.

# MEET PRESIDENT MILLER

ON April 18, 1958, Lee P. Miller was introduced to the American Newcomen Society as *"... a man with an optimistic eye and a positive approach to the future ... one with a quiet, effective manner, a genuine regard for his fellow man, and a wide diversity of activities ... a man who has made banking his avocation since the day it became his vocation nearly half a century ago ... a banker whose accomplishments are worthy of an entire Newcomen address."*

This introduction of the American Bankers Association's new president highlights the life of a man who has spent his entire career, and particularly the past 20 years of it, working diligently for better banking in his own organization, state, and nation. Today, all three segments are reaping the harvest of his labors.

Lee Miller's office is a favorite gathering place for officers and employees, a direct result of his "Open Door" policy, whereby the bank president and his office are always available to the staff. Here, Mr. Miller discusses bank matters with, center, William J. Cark, vice-president and comptroller, and, right, P. Booker Robinson, executive vice-president



Lee Miller enters into the A.B.A. presidency with two main objectives aside from the usual and ordinary duties called for in the office:

First, continued effort of the A. B. A. for passage of the Financial Institutions Act by the next Congress.

Second, culmination of a project on which he has worked enthusiastically for the past few years: To get the reserve for bad debts for banks on an industrywide basis rather than the present formula based on each individual bank's experience for the amount of reserves it is permitted to set up.

For the past 20 years, Lee Miller has been a member of both the A.B.A.'s Federal Legislative Committee and its Subcommittee on Taxation, serving several years as chairman. It was during this period as chairman that he began research and work on his "bad debt" theories.

His industrywide formula would permit both large and small banks to charge off specified percentages of loan totals each year until the maximum reserve percentage is reached, thus protecting the entire banking industry against serious future losses.

In addition to his work on the Association's Federal Legislative Committee, Lee Miller was a start-to-finish member of the Special Committee on Excess Profits Tax (1952-54). He also has served on the Trust Division's Committee on Taxation for 11 years and was its chairman for four years. He was a member of that Division's Executive Committee for three years.

## Knows Small Banks

Small banks may look forward to well informed assistance from President Miller during his administration.

"When you think of 14,000 banks in the country," he says, "with 10,000 having resources of less than \$7,500,000, you can see that the majority of our banks fall in the so-called 'small bank' category, and you can well realize their importance."

Citizens Fidelity Bank and Trust Company, the bank with which Lee Miller is associated, has over 700 direct correspondent banks in this group, which gives him a thorough knowledge of their operation.

President Miller's optimistic eye and positive approach to the future come forth strongly in discussions on the nation's business outlook. He is not an alarmist and obviously has no patience with those who are.

"We should place less reliance on cold, static figures and seek to understand more objectively the dynamic forces that make the economy tick, and thus contribute to real progress and prosperity," he recently told a group of Oregon bankers.

"Such understanding can be a constructive answer to the gloom perpetrated by those who use the

figures glibly to play up the weak spots in the economy for partisan or other advantages."

### Vision Optimistic

Mr. Miller points to the fact that there was a time when confidence in banking institutions was not so strong as it is today. He feels that the excellent condition of banks is a positive force for recovery.

"One of the most important things that we, as bankers, can do," he says, "is to carry messages of confidence to our communities. We should let it be known that our doors are open and that our vision is broad and optimistic. In so doing, we can help offset the damaging influence of the alarmists and can make a positive contribution to real prosperity and progress for our country."

The Kentucky Bankers Association, which first endorsed Lee Miller for the A.B.A. presidency, was well aware of his abilities when it nominated him for the top office. He was a member of the K.B.A. Jurisprudence Committee from 1937 to 1956, holding the chairmanship from 1937 to 1951, and was chairman of the Tax Research Committee from 1951 to 1954. He had also been a member of the Executive Committee from 1938 through 1941, serving as chairman in 1940 and 1941.

Lee Miller's Newcomen introduction closed with, "... a prophet who is with honor in his own home town." And so he is.

### His Personality Sensed in Bank Atmosphere

Members of Citizens Fidelity Bank and Trust Company point with pride to the activities of their president in his own bank. His association with the organization dates back to 1911, when he joined the Fidelity Trust Company, a predecessor of today's Citizens Fidelity. He worked his way from assistant auditor to executive vice-president of that organization before its merger with the Citizens Bank in 1944. Five years later, in 1949, he became president of Citizens Fidelity.

In the early days, Citizens Fidelity was known as the "Citadel of Banking," where big accounts were handled. Lee Miller set about and succeeded in proving that this concept of the organization was erroneous and that small accounts were welcomed as enthusiastically as



The Miller home at 2238 Village Drive in Louisville is beautifully furnished in antiques which Mrs. Miller has been collecting for a number of years. The couch on which they are seated is a collector's item and museum piece

large ones. He also knocked the top hat off of the public's opinion of bank officers by establishing his now well known "open door" policy, whereby both his and other officers' desks and offices are always open to employees and the public. A walk through the bank with Lee Miller quickly proves the friendly president-employee relationship.

During Mr. Miller's presidency, Citizens Fidelity has doubled its number of accounts, and deposits

have climbed from \$145,000,000 to \$246,000,000. Loans have advanced from \$43,000,000 to \$116,000,000, and capital and surplus have increased from \$10,000,000 to \$17,000,000. Part of the jump in loans is attributed to the time credit department for small loans which was inaugurated after Mr. Miller became president.

At the time Lee Miller became his bank's president, it boasted three downtown offices and a Fort

The A.B.A. president and his son, Lee Curd Miller, admire one of the latter's thoroughbreds





For a number of years, one of Lee Miller's principal activities has been to represent the American Bankers Association at legislative hearings in Washington. Here, at right, he is shown at a hearing with Gibbs Lyons, left, president, First-Stamford National Bank and Trust Company, Stamford, Conn., and M. Monroe Kimbrel, executive vice-president, First National Bank, Thomson, Ga. Mr. Lyons is a member of the A.B.A. Committee on Federal Deposit Insurance, and Mr. Kimbrel is chairman of the Committee on Federal Legislation

Knox facility. Since then, five suburban offices, all with drive-in facilities, and a downtown drive-in and garage have been added.

Mr. Miller's regard for his officers and employees goes deeper than the outward gestures of handshakes and "how are you today" that pass as he goes about the bank during each day. Evidence is found in the fact that as soon as he became president of Citizens Fidelity he set up a job evaluation program that provided for upward revisions and adjustments in all salaries.

### Bank Has Engendered a Feeling of Absolute Faith

It was last April that Lee Miller was guest of honor at the "1958 Kentucky Dinner" of the Newcomen Society in North America, of which he is a member, on the occasion of Citizens Fidelity's 100th anniversary. Some of his banking philosophy and his pride in the bank's century of achievement were shown when he said: "Perhaps the success of Citizens Fidelity's long line of bankers and our bank's good reputation as a citizen and artery of advancement in this city might be found in the 100 years of a continuous policy which caused a writer to say of us in 1923:

"It always has been the history of the Citizens Bank and of the Union National Bank, and of the Citizens Union National Bank since the merger in December 1918, to propose the best investment for their customers."

Mr. Miller reminisces with a Citizens Fidelity employee who has "grown up with him" in banking. James Henry Jackson, Jr., of Citizens' vault department, has been with the bank since 1920



"Out of all these years a feeling of absolute faith has grown up among those so advised, and that faith still is merited."

### Man with a Long View

"Courage," "confidence," and "faith" are words that appear frequently in Lee Miller's public speeches and private conversations. He does not preach them but uses them to express his personal feelings and beliefs about our national future.

In an address before the annual convention of the Wisconsin Bankers Association, a little while back when recession talk was gloomier than it is now, he declared that banking strength helps the economy to take a business recession in stride. "No two business cycles are alike," he pointed out. "The characteristics of some booms and some corrections emanate from combinations of circumstances more or less different from what may have taken place before. Yet today there seems to be universal agreement that this, the deepest general recession since the 1930s, embraces none of the fears of drastic credit liquidation and monetary deflation that accompanied the earlier depressions or recessions. To put it another way, our banking system today is geared to handle the changes in supply and demand relationships that market



forces introduce in the credit structure."

The Wisconsin bankers were told that it is important, "as the forces of recovery proceed in the coming months, that we guard vigorously against the resumption of dominant inflationary pressures. These pressures are lurking in the background, ready to spring forth, should unwise fiscal and monetary policies provide the spark. Even in recession, we have made only slow progress in correcting the distortions that the last inflationary surge produced, and to give them new life would be bordering on national suicide in our battle against the forces of communism. We must keep our economy strong and resourceful. We must nourish our incentives for growth and development, and not sap them through the insidious route of inflation."

### Courage for Decisions

President Miller told the Michigan bankers that the thing they need above all others is "courage." This he defined as "that dynamic force which enables one to make decisions."

Bankers have a major part to play, he declared. "It is our responsibility to continue to throw our weight on the side of sound growth and development. We can do so by demonstrating unwavering courage while business is undergoing temporary readjustment, and by outspoken confidence in the future; we can show that we are eager to serve the public constructively and energeti-

The Miller's lawn is a beautiful display of blossoms and greenery which the banker quickly admits is due to Mrs. Miller's green thumb



cally; and we can remain on guard against the resumption of inflation which might otherwise prevent us from attaining our objective of sound growth and a higher standard of living for our people."

To the bankers of Mississippi he expressed his faith in the present banking structure:

"Today we rest on solid ground. Our banks are in strong condition—better capitalized, more expertly

managed, more liquid, and ready and willing to serve.

"To the public, this is important. It means that the banking business is a positive force for recovery. Bankers can have confidence in the ability of the economy to resume its growth after the cobwebs of the 1956-57 inflation are shaken out, and people can have confidence that the banking system is sound and is prepared to lend its full resources to progress."

In commenting on the effect of Russian Sputniks, Lee Miller said: "The American people were aroused from a comfortable sense of complacency. Here for the first time was a dent in what generally had been assumed to be a cloak of invincibility. The launching of the Russian satellites seemed to mark, at least for the time being, the end of a long period of optimism. It had been a period in which, under the stimulating influence of inflationary pressures, the attitude developed over a major part of the economy that growth was assured, thus encouraging financial decisions to a point of overconfidence. People mortgaged their incomes and anticipated future consumption needs and desires, and business and industry put in more

(CONTINUED ON PAGE 118)

### Recognize Sources of Strength, Weakness

**M**OST of us can agree that the banking system today is strong and stable. Banks are serving more people than ever before, and increasingly they are providing more useful services at reasonable rates. The public has confidence in the banks and in the supervisors who help to keep them sound. It is up to us, therefore, to preserve that confidence. We cannot be certain of doing so, however, unless we have a full understanding of all of the sources of our strength, as well as the sources of potential weakness. Because underlying conditions are often obscured in a period of general prosperity and an atmosphere of growth, it is important especially that the competitive environment of banking be reviewed in its broadest sense. Competition among bankers and between the banking system and other types of financial institutions may provide maximum service for the public. Whether that service is most effective in the long run, however, will depend upon how healthy the competition is, the extent to which standards of safety are protected, and the willingness to recognize the public interest in them.—LEE MILLER before the recent annual meeting of the National Association of Supervisors of State Banks.

# The Changing Pattern of Overseas Dollar Investments

**L**AST month BANKING said editorially that this might be a good time to report on the outlook for our dollar investments overseas. Proposals for large increases in dollars for this purpose, through various agencies, make the subjects timely.

## Definition of "Investments"

The word "investment" is being used in a very broad way to include direct private investments, Government loans and grants, various mixtures of all three, and the whole package of modern devices we have

invented to export goods and services. These range all the way from projects with bank strings attached, to investments in friendship which are simply gift wrapped.

## Private v. Political Enterprises

The pattern of this vast and growing operation is changing faster than usual at present because of the threat of Soviet competition, which appears, to this writer, greatly overrated. Other causes of the rapid change include the truly bewildering speed of technological progress and the fact that the world is only 80

hours around instead of 80 days. Right now the direction is toward the political end of the spectrum, and politics, of course, is the most privately enterprising of all enterprise on the face of the earth.

What happens to this pattern is obviously of universal importance to all business, large and small, because of the great sums involved, the high historical stakes, the effect on the value of the dollar, and for another vital reason.

We can ill afford to use too freely the methods of state capitalism or socialism abroad without jeopardizing the structure of free enterprise at home. While we may be forced to a certain degree of political finance abroad for competitive reasons, our goal should always be more private investment or a larger element of private participation, because that is doing what comes naturally and is our only ultimate answer to any Communistic economic challenge.

## U.S.S.R. Overrated

Overrated at this time the Soviet economic challenge certainly is. Since 1940 we have shipped abroad goods and services worth more than \$150-billion and still maintained the highest material living standards at home. Soviet competition, a rather new thought, has amounted to practically nothing except promises and superb advertising. A few years from now the situation may change, but at present Russia can barely feed and clothe herself, and the same is true of the whole Communist group.

Some of our distinguished world travelers bring back fantastic stories of a tremendous waste of our resources. Others report that the dollars have accomplished immeasurable good. Both are unquestionably true. The interesting thing is that the criticism is directed mainly at transactions which are predominantly political.

Even with world conditions in



Puerto Rico and certain other areas show what happens when the dollar is welcome and positively secure. Shown here are two private-enterprise-financed plants in the island commonwealth—above, Puerto Rican Can Co., affiliate of American Can Co., at Bayamon; below, a General Electric property at Caguas



their present precarious state, private investors are still willing to risk money overseas.

The more favorable these conditions can be made the less need there is for governmental guarantee. What has happened in Puerto Rico and certain other areas shows clearly what takes place when the dollar is welcome and positively secure. Puerto Rico, of course, occupies a special position because of its relationship to the United States, but that does not lessen the significance of the extraordinary development that is occurring on the island today. This will be discussed subsequently in more detail.

What this survey will aim to do is set some facts in a row and add a few reasonable deductions. We'll glance backward at the record only enough to get a better look ahead. This will not be easy because, as everyone knows, there is no agreement about what we have already done or even about what we are doing or trying to do right now. Much of the time it is not clear who is calling the tune—and the whole thing is like a square dance with several callers having different ideas on whether to swing partners left or right, and so on.

#### Private U. S. Foreign Investments

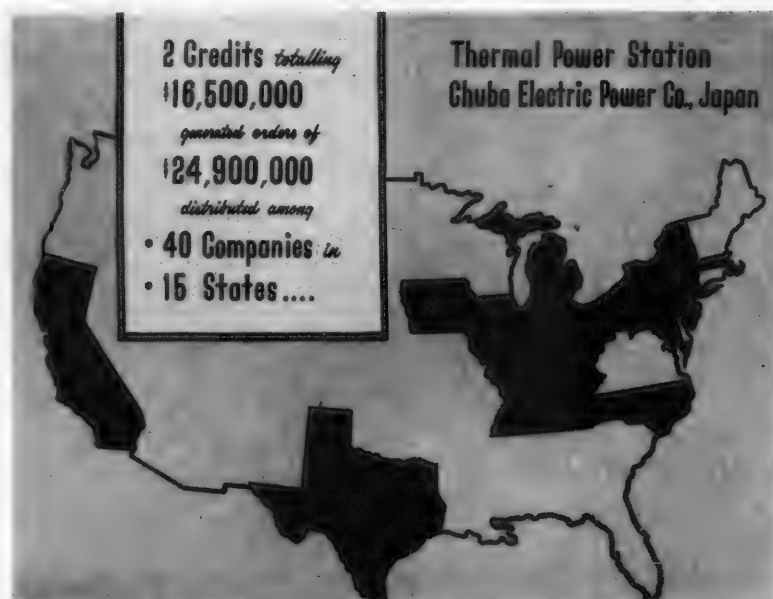
Private American direct investment abroad in branch plants, mining, and other forms has been at the annual rate of about \$3-billion a year in recent years and appears to be running at the same rate this year. On top of this figure, about \$1-billion a year of earnings are reinvested abroad, representing for the economy of the outside world an annual economic contribution from nonofficial direct investment sources of about \$4-billion annually.

In addition, portfolio investments have been growing and are now estimated at about \$1-billion a year. Sales of new foreign bonds in the U. S. picked up in 1956, reaching \$457,000,000. In 1957 they totalled over half a billion dollars and in the first half of 1958 alone exceeded \$700,000,000. These figures include sales of World Bank obligations.

The fact that our direct investments have grown so much in the past generation is a reflection of our growing dependence on foreign sources of raw materials. In many respects, we are less of a "have" and more of a "have not" nation. It



Graphic illustrations showing how foreign investments of the Export-Import Bank can affect the economy of several U. S. geographical areas



reflects as well the maze of trade and exchange restrictions and other barriers to commerce that emerged with the great depression; also the pursuit by many underdeveloped as well as developed countries of greater self-sufficiency and national economic independence. This development of recent decades has necessitated American investment in branch plants or subsidiary companies behind the trade and exchange barriers.

Our total foreign investments today, which may now be estimated

at around \$40-billion—direct, portfolio and short-term — naturally comprise an element of great importance in the economic well-being of the free world.

Imagine the disappearance overnight of the factories, mines, power stations, oil wells, pipelines, grain storage warehouses, refineries, hotels, chainstores, and the like which have come into being abroad through the investment of American capital; and of the dollar-bond-financed roads, railroads, port facilities, air-

(CONTINUED ON PAGE 141)

# Lender Protection Through Title Insurance

**A**QUIRING ownership of real estate, whether through purchase or foreclosure of a mortgage, involves peculiar risks not incident to the acquisition of other forms of property. In acquiring securities or personal property it is not necessary to make sure that the seller is not subject to a tax lien, has no judgments outstanding against him, or has not forgotten to mention a child born after his last will and testament was made. A real estate title may be invalid for any of these or more than a score of other reasons and, what is more, the defect may not evidence itself for many years. Title insurance is designed to protect against such risks. In fact, even where there is absolutely no title defect, claims may be erroneously made against the owner, the defense having to be made at his expense unless there is full-coverage title insurance.

## Legal Fees Paid

For example, consider the following case. Remaindermen under a trust created by a will instituted a suit to set aside a conveyance made by the trustees, a bank. The complaint alleged that the trustees lacked authority to sell without a court order, which they had not obtained. Fraud and conspiracy between the trustees and the purchasers were also charged. The consequent law suit, including several appeals and an attempt to get the matter before the Supreme Court, extended over a 2-year period. In the end, the validity of the title as insured was upheld. But to establish the correctness of the trustees' act cost \$14,831 in legal fees. This cost was borne by the title insurance company.

A different kind of case arose when a bank invested in a real estate mortgage, relying upon a search of title made by the bank's attorney. In this case, the attorney overlooked a lien affecting the bank's mortgage, but this fact was not uncovered for five years. Meanwhile, the lawyer had suffered severe financial reverses. As a result he was in no position to make good the losses caused by his oversight, if indeed he could have been held liable at all. Foreclosure proceedings were eventually instituted and the bank would have suffered a \$3,000 loss had it not been protected by title insurance.

In still another case protected by title insurance, the Virginia Trust Company foreclosed a lien on property in Lumberton, N. C., subsequently contracting to sell the real estate. Only then was it discovered that the house involved encroached upon the adjoining property. The survey prepared when the loan was made by the bank had not revealed the encroachment. The bank was protected in the first instance by a Lawyers Title mortgagee's policy, which, with the foreclosure mentioned above, automatically became an owner's policy. So, the bank suffered no loss.

## Potential Trouble Areas

Cases such as the foregoing come up frequently all over the country. Among potential causes of defective real estate titles are:

- Survey error
- Clerk's indexing error
- Clerk's copying error
- Clerk's recording error
- Clerk's preserving of documents error
- Tax department error
- Lawyer's error
- Law court's error

- Appearance of missing heir or unmentioned heir
- Undisclosed easement
- Unadministered estate
- Outstanding mortgage
- Unpaid taxes
- Property shorter than described in deed
- Forged deed or other papers
- Redemption of property from tax sale
- Forgery by seller or borrower
- Fraudulent misrepresentation by seller or borrower
- Secret marriage of seller or borrower
- Title examiner's error
- Street improvement lien
- Insanity of seller or borrower
- Widow's dower; widower's courtesy
- Insufficiency of deed
- Rights of divorced spouse
- Expired power of attorney
- False personations
- Unprobated wills
- Deeds by minors
- Birth or adoption after date of will
- Signature procured by duress or undue influence
- Recording of instrument in violation of an escrow agreement
- Unauthorized delivery of deed after death of the grantor

## Breadth of Protection

Full-coverage title insurance protects against all such defects due to human error, forgery, or fraud. The title insurance company undertakes at its own cost to defend the insured title in all legal actions or proceedings alleging the title to be other than as insured. The company undertakes to indemnify the insured against loss or damage due to causes such as those mentioned above.

Whereas the contract of indemnification embodied in title insurance is specific and lasting, purchasers of or lenders on real estate cannot



get such protection by relying upon legal opinions. Under the law, the obligation assumed by a title lawyer is only a contractual one. Few attempts to hold title lawyers liable in tort have succeeded. The title lawyer may be expected to show thoroughness, good faith and integrity, but he is not required to be infallible. He is not held liable for losses occasioned by errors of his judgment. He is neither an insurer nor a guarantor of the soundness of his own title opinions or the construction of wills, court proceedings and other matters encountered during the examination of land titles.

### Role of Title Lawyer

Because of the statute of limitations, which in the case of a title lawyer begins to run on the date of his opinion of the title, even where he has been careless he may no longer be held responsible by the time a defect is discovered, perhaps years later.

The functions of the title lawyer and the title insurance company do not overlap. For the protection of the real estate buyer or mortgage lender, both are desirable if not indispensable.

Apart from oversights and other human errors, as indicated above, forgery and other kinds of deception put pitfalls in the path of the mortgage lender. Some years ago a southern bank received applications for \$50,000 of loans on business property. In the unavoidable absence of the property's owner, one of his business associates known as such to the bank carried on the negotiations. Title was searched and found satisfactory. In due course the loans were made.

### Case of Forgery

After several months it developed that the owner had no knowledge of the transactions and had not given his consent. His signature on the notes and trust deeds was forged. The bank, lawyers, and notaries had all been deceived by clever forgeries and deceptions. Because of title insurance, the bank suffered no loss.

In the case of a New Jersey bank, \$650,000 was lost through embezzlement by the bank's vice-president through loans granted him on bogus mortgages. In this case of course there was no title insurance. The Newark Clearing House Association

### Examples of Title Insurance Fees

Liability	Record policy fee	Full coverage	Full coverage
		mortgagee policy fee	owner policy fee
\$ 5,000	\$ 63.00	\$ 12.50	\$ 17.50
10,000	73.00	25.00	35.00
15,000	83.00	37.50	52.50
25,000	103.00	62.50	87.50
50,000	153.00	125.00	175.00
100,000	240.50	225.00	325.00

reported that "the speculation which wiped out all capital funds, was caused by loans granted on fictitious mortgages." Continuing:

"To protect himself against disclosure, the speculator in most instances provided for and amortized the loans. Interest notices were sent to him as servicing agent and were paid promptly when due. Insurance coverage was obtained and paid by him, this in addition to actual coverage carried by the real owners . . . Actual searches of court house records by third parties apparently were never made."

### Limited Policies

In Ohio and the District of Columbia, unlike other states, two kinds of title policies are offered: a full-coverage policy, such as has been referred to above, and a simple "record title policy," which covers only the title as it is described in the public records. This policy protects only against oversights by title examiners and oversights outlawed by statute. It does not, like full coverage, insure against the other risks mentioned above. In Ohio and the District of Columbia, both policies are available to owners as well as mortgagees.

Unlike various other forms of long-term insurance, title insurance requires payment of a fee only once. Insurance of an owner lasts as long as his ownership of the real estate. Insurance of a mortgagee lasts the life of the loan. The following examples of title insurance fees are taken from the schedule of a Washington, D. C., title insurance company in the summer of 1958. In Washington, where both types of policy are available—i.e., the record title policy and the full-coverage policy—in the case of the former, the policy fee is the same for owners and mortgagees, while in the case

of the latter, the owner's policy fee costs more because of its potentially longer life.

Where the liability is larger than \$100,000, policy fees are higher. Thus, the record policy fee for liability of between \$100,000 and \$300,000 is higher than the \$100,000 rate by \$1.50 per \$1,000; and between \$300,000 and \$500,000, by \$1.25. For liability of between \$100,000 and \$500,000, full-coverage mortgagee protection costs an additional \$175 per \$1,000 and owner protection, \$2 per \$1,000 additional.

Title insurance fees in the case of mortgage loans are borne by the borrower.

Banks, like other lenders wishing to sell FHA-insured loans from their portfolios—and the same applies to VA loans as well—find title insurance a "must." The secondary market for these loans is strictly a title-insurance market. Large corporate investors just won't buy such insured mortgages otherwise.

The Government guaranty is conditioned upon the ability of the approved mortgagee to provide, in exchange for the Government-guaranteed debentures which the law makes available, a foreclosed title satisfactory to the Government. The FHA and VA do not insure title or require evidence of title until after foreclosure.

Since trust departments invest in real-estate mortgage loans, title insurance is important to them. The same is true of savings banks and savings departments.

Like fire, casualty and other insurance, title insurance enables the buyer thereof to spread his losses; that is, to substitute the insurance fee for the occasional loss. Title insurance, therefore, is a useful adjunct to the banking business.

HERBERT BRATTER

# What Banks Should Know

*This is the first of two articles by MR. GOODE on how to tell women about bank services in the ways that are most appealing to them. It offers some evaluation of both media and copy approach, and concentrates on the advertising, rather than the public relations, side of the picture. The author is in the firm of Farley Manning Associates.*

MARJORIE DAWSON made a charming plea in **BANKING** last May for advertising that would speak women's language better. She rightly pointed out that men don't give women "6 reasons why" when they propose to them. Women similarly ask what advertising in other fields is saying.

In banking, the failure to reach women is more than a failure to

choose the correct words for advertising. Dozens, hundreds of research studies show that many, if not most, banks are making costly mistakes in their whole approach to the feminine market.

A. J. Wood and Company, in running a consumer survey for a Philadelphia bank, included one question asking women to name the bank advertising that impressed them most. Only one woman in every 16 could name any bank advertising whatsoever. Still fewer could associate the various competitive advertising messages with the banks that had been paying for them.

As most people are aware, there are similar signs that women are not being reached in the securities field. Merrill Lynch, Pierce, Fenner, and Smith recently completed a mon-

umental survey of male and female investors. Tabulating replies to questionnaires asking the financial opinions and philosophy of 300,000 customers, Merrill Lynch reported that only one fifth as many women responded as men.

The magnificently detailed studies the *New York Times* has had made of the readership of its various pages have shown repeatedly that women's interest in its financial pages is only about one-third that of men's.

## Financial News' Low Score

When the feminine readership figures for specific bank advertisements are examined, the general feeling that all is not well gets final confirmation. Daniel Starch's recent 4-year study of newspapers across the nation for the American Newspaper Publishers Association showed that a large advertisement for meat can obtain close reading from 70% of the women who see the paper. The least attractive news items on women's pages get thorough reading from 20% or more.

Yet bank advertising on financial pages is lucky even to be glanced at by 5% of women readers.

This is not fatal: in one way or another banks have in the last 10 years added mightily to their lists of women customers. The J. Walter Thompson Company study of Consumer Banking Habits showed that three out of five women go into a bank one or more times a month. But ineffective advertising is wasteful. Without ever hoping to attract the same amount of interest as a good shoulder of meat, banks could reasonably expect to make their communications to women three or four times more effective than they are now. The basis for a more scientific and effective approach has been building up as motivation and other research studies have created a body of information of women's habits and interests.

Without changing or adding to

**HALF A CENTURY OF PLEASING THE WOMAN CUSTOMER**—When The Bank of New York, into which the Fifth Avenue Bank was merged in 1948, opened its new building on Fifth Avenue, there was a duplicate of the old Fifth Avenue Bank's original "ladies' parlor," known as the Gold Room. Here Vice-president Dorothy Armbruster (right) shows Miss Toni Frissell a memento of the bank's past, while Assistant Secretary Olga Bendix looks on. Miss Frissell's grandfather, A. S. Frissell, was president of the Fifth Avenue Bank from 1885 to 1916



# About Women

MACKARNESS H. GOODE

present services—which is another question—banks can increase the effectiveness of their sales messages to women by taking only two measures:

(1) Aiming the sales messages squarely at women.

(2) Using appeals of maximum effectiveness with women.

## Channeling the Message

Banks use newspapers, radio, TV, direct mail, and signs in or out of offices more frequently than other media, and these are in fact the best choices for reaching women as well as men. Since newspapers are most frequently used and have had considerable research done on them, I shall concentrate on them in the belief that the applications to other media will be readily apparent.

It has been pretty well agreed that messages promoting the sale of specific services should be largely transmitted through paid advertising, as opposed to public relations promotion.

Dr. Gerhart Wiebe, president last

year of the American Association for Public Opinion Research, had an opportunity to test this very question when he was asked to study a situation in which a bank seemed to be losing its business to its competitors. He found that the bank enjoyed "an unchallenged general reputation as the community's leading bank." But it was also losing its share of the personal loan and auto financing business in its city—despite its superior public relations position. On the basis of his investigation, Dr. Wiebe concluded that a good reputation is "not a safe substitute for merchandising specific services." Such merchandising can be most broadly and consistently carried on through advertising.

On the other hand, public relations is often a simple and inexpensive way to build a favorable institutional image in women's minds.

## Favorable Pages for Advertising

The first and simplest way to improve advertising to women is to take messages directed to them off

the financial pages. Many banks have adopted this practice in the past five years.

It is dangerous to generalize about readership patterns in a specific newspaper from studies made elsewhere. It is still more dangerous to take national averages as a standard since they often conceal substantial individual differences. However, the following figures from a study of 123 newspapers in 108 cities by Daniel Starch and staff can serve as guide posts to the placement of advertising:

Kind of page	Median Percentage of Women Readers
	%
First page	97
Picture pages	91
Society pages	81
All general news pages carrying advertising	73
Women's and food pages	72
All pages	70
Financial pages	10

Other pages shown to get high  
(CONTINUED ON PAGE 125)

**RECOGNITION OF A MARKET**—A bank project with nationwide popularity is the "women's financial forum," at which representatives of the host bank discuss a broad range of financial problems and answer audience questions. Such meetings have shown beyond a doubt the great interest women have in business matters and the economy in general. Below, a forum conducted by the First National Bank of Chicago





9:34 a.m.—Alfred J. Tria, assistant vice-president of The Dime Savings Bank of Brooklyn, receives urgent telephone request from client for property appraisal



9:36 a.m.—Mr. Tria discusses appraisal request with William J. Schneck, chief mortgage appraiser



9:38 a.m.—Back at desk, Mr. Schneck contacts field appraiser in area via RCA 2-way radio. Dispatch board at right indicates appraisers currently on duty

9:39 a.m.—Appraiser Peter G. Harrigan receives appraisal request and reports he is only five blocks away from property location . . . will be there in minutes!



## 2-Way Permits Mortgage

*The author is assistant vice-president of The Dime Savings Bank of Brooklyn.*

**A**FTER nearly four months of operation, faster service to mortgage applicants and savings in time and money, together with a number of unexpected benefits, "have been far greater than expected" as a result of installation of a system of RCA 2-way radio communication between the mortgage department of The Dime Savings Bank of Brooklyn and its 29 appraisers' and loan committees' automobiles, according to George C. Johnson, chairman of the board of the billion-dollar savings bank.

The Dime of Brooklyn confines practically all of its mortgage lending activity to the five New York City boroughs, Nassau and Suffolk counties on Long Island, and Rockland and Westchester counties.

To speed up its service to mortgage applicants, an RCA ultra-high-frequency mobile radio system was installed for the bank last February 19 by the Radio Corporation of America as the first service of its kind in the nation.

**T**HE mobile 2-way radio communications system, controlled from a master console in the bank's mortgage department in downtown Brooklyn, links all of the bank's 27 field appraisers and two loan committee cars with the bank and with each other. The conventional telephone system in the bank's main office also enables officers and executives at their desks to make direct contact with automobiles in the field.

Transmission is handled by two Carfone 450-megacycle radio base stations. One transmitter is on top of the building at 1 Wall Street, Manhattan. The other, which serves as a relay station to provide extended radio coverage throughout Long Island, is located at Dix Hills in eastern Long Island.

Because The Dime of Brooklyn has recently expanded its mortgage lending activity to include Rockland County, adjoining New York City on the northwest, there is a possibility of extending the transmission range. As it is now, radio-equipped bank cars operating in Rockland County must seek out certain high elevations in that area in order to come within range of the transmitter in Manhattan.

Commenting on the results attained with the system, Mr. Johnson said:

"Telephone toll costs from appraisers in the field,



# Radio Same-Day Appraisals

ALFRED J. TRIA

which had been a heavy expense in the past, have been practically eliminated by the radio communication system. Gasoline and oil consumption by the 29 automobiles has been substantially reduced, and the time required to act on mortgage applications has been cut in half. In many instances, we have been able to act on a mortgage application within 48 hours instead of the week or 10 days formerly required. In one recent case, an appraisal report was given and the loan approved while a mortgage broker who had applied for the loan was still in the appraiser's car. Less than two hours had elapsed from the time the mortgage application had been received.

"Our loan committees are in the field two days each week. These committees are composed of bank officers and trustees and they make final determination regarding mortgage loans. In the past, it was usually the case that by the time an appraiser's report reached one of the loan committees, and the committee could inspect the property, two or three days would elapse. All of this delay and expense has now been eliminated."

In addition to the dollars-and-cents savings which have been recorded since the radio system was put into operation, a number of incidental benefits, which were entirely unexpected, have accrued.

For example, trustees of the bank who have their own businesses to conduct find they do not need to be away from their own offices as long as in the past when serving on "The Dime's" loan committees.

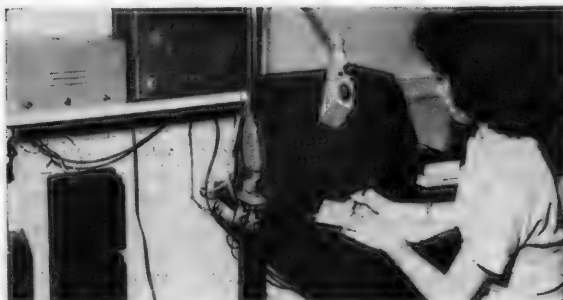
Another important benefit is that the work load on appraisers can be more equally distributed. When an appraiser finds he cannot cover all his assignments, he notifies the bank's chief appraiser and a man in a nearby car who is not so heavily burdened is assigned.

Emergencies, such as fire damage or vandalism to mortgaged properties which appraisers discover while traveling in the field, have been quickly reported to the main office of "The Dime" and in turn the insurance company involved has been able to make adjustments without delay.

Time has even been saved by appraisers warning each other of traffic jams on highways in the areas in which they are traveling, thus enabling others to avoid such delays.



11:45 a.m.—Immediately upon completing survey, appraiser radios complete report from property site via RCA radio



11:46 a.m.—Betty Cummings, secretary to Mr. Schneck, makes notes of radioed appraisal information



11:53 a.m.—Mr. Schneck submits complete property appraisal to Mr. Tria. Elapsed time from client call to appraisal completion was only two hours, 19 minutes

"Radio communication takes the delay out of mortgage appraisals and makes possible same-day service," says George C. Johnson, chairman of the board, The Dime Savings Bank



# OPERATIONS REPORT

## Often Overlooked Insurance Coverages for Banks

**I**T may seem strange, in writing about insurance coverages often overlooked by banks, to mention first bankers blanket bonds. All banks have blanket bonds, and bankers generally know that the basic clauses A, B, and C of these contracts insure losses through dishonesty of officers and employees, and also losses of money, securities, and other property through holdup, burglary, larceny, theft, misplacement, mysterious disappearance, and damage or destruction while the bank's property is on insured premises or in transit by messenger.

### Forgery Insurance

Two types of forgery insurance are optional in the commercial bank forms of blanket bonds (Forms 24 and 2) for separate premiums. The first, designated as Clause D, indemnifies loss through forgery or alteration of, on, or in any checks, drafts, acceptances, withdrawal orders, money orders and similar specified instruments which are received over the counter or through the clearings. It is estimated that 75% of the banks have this kind of forgery insurance, but many of them purchase it in comparatively small amounts in relation to the total bond coverage. These banks may overlook the small additional premium charged to increase the amount of their Clause D forgery insurance.

For example, increasing coverage from \$25,000 to \$100,000 costs an average of \$37.50 a year and increasing coverage from \$100,000 to \$250,000 also costs an average of \$37.50 a year. Losses perpetrated by one forger involving many instruments have accumulated into large sums.

The second type of forgery insurance optional in blanket bonds for an additional premium is designated as Clause E. This clause in-

**GEORGE H. HOTTENDORF**

*The author, a deputy manager of the American Bankers Association, is secretary of the Insurance and Protective Committee.*

**insures losses through purchasing, accepting, giving any value, extending any credit or otherwise acting upon any securities, documents or other written instruments which are counterfeited or forged as to a signature of any maker, issuer, endorser, etc., or any person signing in any other capacity, or which are raised, altered, lost or stolen. Loss through witnessing signatures on securities is also covered. Instruments insured under Clause D are excluded from the coverage of Clause E.**

It is estimated that only 30% of the banks have forged securities insurance. Some of the other 70% may overlook potential losses through purchasing or discounting forged promissory notes or accepting forged instruments as collateral to loans. Transactions of that kind account for a large portion of losses indemnified under Clause E.

### Dishonesty Coverage

Particularly in the smaller banks, the reasonable cost of excess employee dishonesty insurance in the amount of \$1,000,000 should not be overlooked. This insurance covers employee dishonesty losses in excess of the bankers blanket bond coverage a bank carries which must equal or exceed specified deductible or underlying amounts dependent upon the size of the bank. It was first issued by the Bank-Share Owners Advisory League in June 1953 under a group policy underwritten by London Lloyd's. It is now written on Form 28 by companies which are members of the Surety Association

of America, also by at least two independent or non-conference companies.

Excess employee dishonesty insurance is designed to cover unexpected catastrophic fidelity losses which fortunately are infrequent but too often result in impairment of capital funds and sometimes liquidation or merger of the victimized bank.

### "Securities Only"

In many smaller banks the blanket bond coverage is sufficient to indemnify the maximum amount of cash that might be stolen by bandits or burglars. Most of these banks have their own securities lodged or deposited with Federal Reserve or large city correspondent banks. But some overlook possible burglary or robbery losses of securities held in trust, as collateral or for safekeeping. To insure these hazards, excess bank burglary and robbery policies may be purchased to cover "securities only" at reasonable rates. An Excess Securities Policy is also available at somewhat higher rates. Its coverage is broader, insuring loss of securities by destruction, disappearance or wrongful abstraction, but losses due to dishonesty of bank employees or forgery are excluded.

### Safe Deposit Coverage

The great majority of banks renting safe deposit boxes now have safe depository liability insurance, but some banks continue to insure the contents of safe deposit boxes only against loss through burglary, robbery, damage or destruction. In recent years most claims for loss of the contents of safe deposit boxes allege mysterious disappearance of money, securities or other property, although occasionally vaults are entered by burglars and property

is stolen from the safe deposit boxes.

**The Combination Safe Depository Policy is the current domestic form for insuring safe deposit operations.** It has two optional insuring clauses for which separate premiums are charged. Clause A covers *legal liability* of the bank for loss of property from customers' safe deposit boxes and property stored in vaults for customers. Clause B insures loss of such property through burglary, robbery, damage or destruction *whether or not* the bank is legally liable. Some banks purchase both liability insurance and burglary and robbery insurance, overlooking the fact that burglary and robbery losses are included in the coverage of Clause A if the bank is legally liable. Coverage under Clause B, in addition to Clause A, is important only to insure losses of customers' property through burglary, robbery, damage or destruction when the bank is *not* legally liable.

#### **Comprehensive Liability**

Comprehensive liability policies have many advantages over schedule policies which insure only those hazards reported by the insured and declared in the policy. Comprehen-

sive policies insure automatically all liability hazards of the insured other than known hazards specifically excluded. Space does not permit detailed discussion of this subject, but it is suggested that banks which still have schedule public liability policies and automobile insurance written on basic liability forms discuss with their agents the advantages of the Comprehensive General Liability Policy and the Comprehensive Automobile Liability Policy or the Comprehensive General-Automobile Liability Policy which combines the coverages of the first two contracts.

**It is important that no restrictive endorsements be attached to these comprehensive policies,** such as an exclusion of automobiles owned in full or in part by the bank. When a bank does not own any automobiles at the time the policy is written, the declaration for owned automobiles should read, "if any." The same applies to other hazards included in the declarations of the policy which may be non-existent at the time the policy is written but which may materialize while the policy is in force. Annually, the insurance company audits the bank's

records to determine liability hazards which actually existed, and the premium is adjusted accordingly.

#### **Optional Endorsements**

The coverage furnished by comprehensive liability policies, as well as practically all insurance contracts in general use by banks, is described in the A.B.A. Digest of Bank Insurance, a looseleaf book of 222 pages last revised in June 1958. It is well to mention here, however, that **optional endorsements may be attached to comprehensive liability policies to extend their coverage.** Among them are endorsements to include liability for false arrest, libel, slander, etc., and for failure to stop payment, wrongful dishonor of checks, etc. Also, to avoid possible denial of liability incurred in repossessing financed automobiles, including use thereof for resale, it is suggested that a Repossessed Automobiles endorsement be attached to the Comprehensive Automobile Liability Policy.

When considering liability insurance, banks are urged to **review the limits of liability carried for any one claimant and for any one accident regardless of the number of claim-**

### **Magnetic Board Schedules Executives' Appointments**

At Bankers Trust Company, New York, a magnetic scheduling board is keeping track of senior officers' appointments.

Manually operated by the executive floor administrator, the board shows at a glance the engagements scheduled for the bank's eight top management officers. It was created by the Methods Research Division to save secretarial hours and eliminate confusing scheduling conflicts.

The apparatus consists of 18 sliding, removable panels with magnetic tabs indicating appointments. The current day's activity is conveniently located on the extreme left. A continuous 3-week projection of 15 working days is possible.

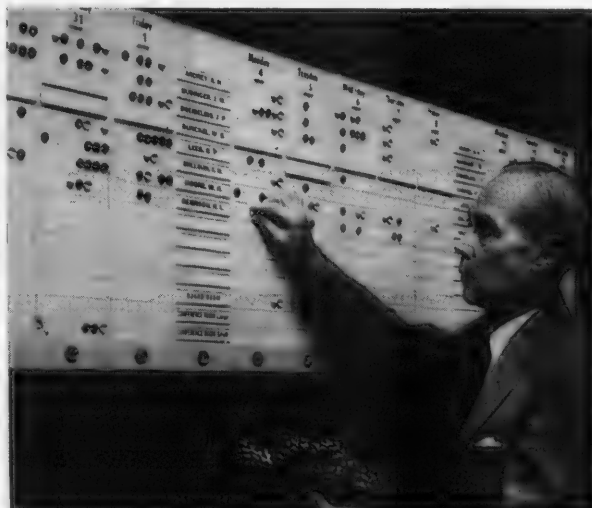
The most important advantage, reports the bank, is the fact that the board releases much of the executive secretary's time heretofore used in scheduling meetings. Basically, its effectiveness is controlled by the secretaries of the management officers. It works this way:

When an appointment is made by an executive, his secretary fills in a pre-

printed blank with his name, the person he is to meet, the time and proposed length of the meeting. The forms are picked up hourly and forwarded to the executive platform administrator who posts new appointments.

Black magnetic tabs, coded for hour or half-hour periods, indicate time taken up by daily appointments. Luncheon engagements are shown by green tabs. Red pegs show the availability of the board room and other space.

Albert L. Rice, executive floor administrator at Bankers Trust, posts appointments of the bank's eight senior management officers on the magnetic scheduling board





ants. In recent years, courts and juries have become increasingly liberal in the amounts awarded for personal injuries and damage to property. In many instances, judgments have reached staggering sums, especially when accidents resulted in permanent disability or death of persons who had fair incomes.

When lower liability limits are carried, quotations should be obtained for increasing the limits for various amounts up to \$500,000 for any one person and \$1,000,000 for any one accident. After ascertaining the relatively small premium involved to substantially increase existing coverage, banks should decide upon the liability limits to be carried in view of local conditions.

#### **"Errors and Omissions"**

Banks concerned about possible failure to renew fire insurance on mortgaged properties have for years carried Errors and Omissions insurance. Two forms were available, one insuring loss to a bank's mortgagee interest and the other also insuring the liability of banks to mortgagors for oversight in not renewing fire and extended coverage insurance. Premiums for this insurance were based upon a bank's total mortgage portfolio and because of a 10% or 20% coinsurance requirement, premiums were regarded as too high, particularly by the larger institutions.

During the past year a new form of errors and omissions insurance was made available which gives effect to suggestions made to the Eastern Underwriters Association by the A.B.A. Insurance and Protective Committee. This standard form insures not only loss to a bank's mortgagee interest, but also liability of the bank to third parties for error or omission in not maintaining insurance against all risks and perils for which the mortgagor customarily obtains policies of insurance. Briefly, it is designed to insure the liability of banks for failure to renew multiple peril policies which include liability insurance, such as homeowners policies. Premiums are based upon the total number of mortgages and there is no coinsurance requirement.

#### **"Extra Expense" Coverage**

Extra expense insurance is particularly important to banks operat-

ing without branches because of state laws or for other reasons. Banking is a business in which it is imperative that normal operations be continued regardless of fire or other serious damage to the banking premises. Banks cannot post a sign reading, "Will reopen when repairs are completed." Extra expense insurance furnishes indemnity for the excess cost of using other premises, equipment belonging to others, and other necessary emergency expenses to continue operations. Every bank should develop a plan of action to be taken in the event its premises are seriously damaged or destroyed by fire, windstorm, explosion, falling aircraft, etc. Then it is easier to estimate the cost involved and to decide whether to purchase extra expense insurance.

In mentioning insurance coverages overlooked by some banks, it is not recommended that banks purchase all insurance available. However, the officer in charge of a bank's insurance should be capable of analyzing and evaluating risks of loss. He should know that insurance can be purchased to cover various types of potential losses and he should ascertain the cost of such insurance. Then, senior officers or the board of



The Waterbury (Conn.) Savings Bank has a closed-circuit television installation linking the lobby and the central files on the third floor. In the picture a teller checks balance and signature card information on the TV screen with the customer's deposit book and withdrawal ticket. Equipment includes four special camera consoles at tellers' stations.

directors would have the necessary information to decide which risks of loss the bank should assume and which should be insured by the insurance industry.

In the event of loss, there should be no excuse for asking yourself how you overlooked insuring the hazard that caused the loss.

### **Electronic Bookkeeping Record Service**

PRINCETON (N.J.) Bank and Trust Company is among the banks offering a new bookkeeping record service. The trade name is Check-A-Tron, and it's designed virtually to eliminate bookkeeping for owners of small businesses, professional people, farmers, and personal checking account owners.

The Princeton bank, explaining the plan to the public, said:

"The customer simply places a code number and occasionally a word of description on each check written and each deposit made. The bank punches data cards with this information. Check-A-Tron by means of IBM electronics and automation will furnish each customer annually, quarterly or even monthly with vital bookkeeping records for profit and loss statements, income tax returns, balance sheets, budgets and forecasts, financial management, cost analysis and control, and many other purposes."

Master codes for indicating the purposes of the checks are furnished for each type of account.

### **Case Studies**

"CASES in Commercial Banking—Loans and the Management of Bank Funds" is the title of a 114-page booklet prepared for the Kentucky Bankers Association by John T. Masten, professor of economics, University of Kentucky, and distributed to KBA members by Executive Secretary Ralph Fontaine, Louisville.

Case studies provide much of the material for the annual Kentucky School of Banking, and the data for this year's workshops came from more than 100 member banks. The present booklet, based on that information, was used by Dr. Masten at the 1958 school session.



## This Bank Provides

# Free Research for Customers

A FREE research service for commercial customers and correspondent banks is providing mutual benefits at Traders National Bank of Kansas City, Mo.

Traders' research department, established a few years ago for the institution's own operations, is now providing economic forecasts, short and long-term planning, and marketing information on a "no-charge-you're-quite-welcome" basis. The service, needless to say, helps tie present customers and correspondents more closely to the bank; it is also attracting new ones.

"The department is being used effectively in each of these areas," Harold L. Jenkins, vice-president and director of research, tells BANKING. "We realize that anything we can do to help our customers grow in a planned, orderly fashion means better business for both of us."

### What the Service Does

Here is the bank's summary of how the service can assist a company:

*Personal consultation on specific marketing problems.* This may be merely a telephone call to request statistical data. Or it may entail an analysis of a sales and distribution program, or the development of long-range operating plans. Each request is handled individually; the answer is tailored to meet the problem.

*Collection and analysis of industry data outside a company's operation, which may affect its marketing activities.* This involves tracking down published information about an industry so that the inquirer can relate its own operations to the general experience.

*Consultation and guidance in compiling data available within the company, which will help establish marketing policies.* This may include assistance in sales and account analyses, establishment of sales

quotas and forecasts, operating ratios, etc.

*Consultation in developing consumer, industrial, and dealer surveys.* Specifically, this includes: design of the sample to be surveyed; design of questionnaires (personal, mail, telephone); consultation in coding, editing, and tabulation of the questionnaire; aid in interpreting the results.

The bank emphasizes that the service concentrates all of Traders' integrated activities on any problem, thus placing "an aggregate of ability, experience and special information" at the customer's disposal.

### Key to Expansion

"We know," it says, "that research has an important part to play in the future of Kansas City business and banking. We are certain that it is the key to orderly expansion, to new plateaus of business development and general prosperity."

The research staff consists of three people, including Director Jenkins. Any additional clerical assistance that may be needed is sup-

plied by the bank. Much of the detail on specific projects—notably, records—is furnished by the company under the bank's supervision. Information outside company sources is provided by the department.

"Should a field study or survey be required," says Mr. Jenkins, "the interviewing cost is borne by the requesting company. However, I develop the questionnaire, sample design, and analysis."

The only possible charge to a customer may arise from the gathering of data outside the Kansas City area; and this would be only for travel expenses incident thereto. If the job can be handled by mail inquiry, there's no cost at all.

"The requests for information, data, or specific studies originate primarily from the bank's officers whose customers can use the service," Mr. Jenkins reports. "Of course I handle the development from that stage and determine whether my department is in a position to undertake the project."

Mr. Jenkins has purposely held  
(CONTINUED ON PAGE 123)

We feel that our bank's greatest asset is its carefully-nurtured mechanism for reappraisal and reorganization to meet the changing economic needs of our community. We say "carefully nurtured" because it requires our constant attention to avoid banking's biggest pitfall . . . complacency. Complacency puts an end to progress, and thereby eliminates a large part of a bank's usefulness.

Our emphasis on progressive thinking has led directly to the new concept of banking service which is described in this booklet. Essentially, that concept is simply this: to the solid foundation of banking principles . . . tested, proven, and serving us since we opened our doors in 1900 . . . we have added *research*. This "third dimension" is designed to help our clients plan ahead, using facts instead of guesswork as the basis for sound management decisions.

In short, we are combining our elder statesman's seasoned approach with a young man's enthusiasm for the future. We think the combination offers great things to our clients.

Cordially,

*J. R. Donnick, II*  
J. R. Donnick, II  
President



This is the introductory page of a 2-color Traders' brochure, "A New Concept of Banking Service," in which the research department's functions and activities are featured

# What MARKET RESEARCH Can Do for Banks

HERBERT BRATTER and FORREST CLEMENTS

*Herbert Bratter is a Washington writer for BANKING. Dr. Forrest Clements is the Washington, D. C., representative of two market research firms: Stewart, Dougall & Associates, and its close affiliate, Crossley, S-D Surveys, both at 405 Park Avenue in New York City. In this article Mr. Bratter interviews Dr. Clements on the ways in which commercial banks can use marketing research.*

**QUESTION:** Dr. Clements, your organizations have done market research for banks. Could you give a few examples?

**ANSWER:** One assignment was for a bank which had a good many branches in a large metropolitan area. Central management wanted to find out the attitudes of these customers toward personnel in the different branches. A survey was made covering each branch bank. The study was carried out by personal interviews with a sample of the customers at each branch.

The questionnaire was very carefully constructed to obtain frank

answers. There were many questions, all making different approaches to the main problem. For example, each respondent was asked whether he had ever applied for a loan from the bank. If he said he had, a series of questions about as follows was asked:

**When you asked for this loan, were the people you talked to at the bank friendly, indifferent, or reluctant?**

**How did you feel about the way you were treated at the bank?**

**After you applied, how long did it take for the loan to be approved?**

**What were your reasons for selecting this particular bank when you decided to ask for a loan?**

The results of the survey were made the basis of a training program for branch personnel, with the purpose of fostering better relations between branch management and customers. This particular study cost around \$15,000; but improved relations and consequent increase of business caused central management to regard it as an excellent investment. The training program is

now an integral part of the bank's policy for indoctrinating new employees in customer relations.

Another bank had branches all over a large eastern state in different counties and towns. Some of these branches were doing quite well, but others were not. Analysis of trade areas, population concentration, and level of community business activity did not show any consistent relation between these factors and the degree of success of a branch bank. We were asked to find out what was causing the differences in branch performance.

We selected a few of the communities where the branches were most successful, a few where they were least successful and others where they were just average. A survey was made among business firms and other bank customers in each of these selected communities. It included customers not only of this particular bank but of competing banks as well.

The results were quite conclusive. In those towns or counties where the local branches had done well, the personnel were found to have made a definite and successful effort to make the bank a part of community life; the officers and employees were members of local business clubs, civic organizations, churches, and other such community endeavors. In areas of poor branch business we found management indifferent toward the community. Such management regarded itself as responsible only to the central office and made little or no effort to identify the bank with the social organization of the neighborhood which the branch was supposed to serve. The intermediate group

## Marketing Research Directories

THE American Marketing Association, 27 East Monroe Street, Chicago 3, Ill., in December 1957 issued a mimeographed 16-page "selective roster" called *Marketing Research Agencies, Services and Consultants*. It is available on request.

Bradford's Directory of Marketing Research Agencies, 50 Argyle Avenue, New Rochelle, N. Y., publishes *Bradford's Directory of Marketing Research Agencies*. The 1956-57 (7th) edition appeared in December 1956 as a 148-page book. \$7.50 for billing; \$7 for cash.

The Advertising Research Foundation, 3 East 54th Street, New York City 22, issues a *Directory of Organizations which Conduct Motivation Research* at \$25. As a supplement to this it published in 1954 the *Directory of Social Scientists Interested in Motivation Research*, also at \$25.

showed the pattern you would expect after knowing the factors involved in the "good" and "bad" branches. In those places where some effort had been made by local management to integrate the bank into the community life, business was better and customer attitudes more loyal.

The remedy was obvious. The central management called a meeting of all branch managers and put the results of the survey before them. A definite program was organized, to emphasize the role of each branch in its local area as a part of that community. At the same time, promotional efforts on a statewide basis were readjusted to support this emphasis, rather than create a picture in the customer's mind of a distant central office directing incidental branches.

Here is a still different problem on which we are working right now. A bank in a large eastern industrial city found it was developing a profitable loan business financing heavy equipment dealers for two of its big customers making road-building machinery, large hoisting cranes, and diesel locomotives. Such pieces of equipment are usually so expensive that the actual user prefers to rent them from a dealer rather than make an outright purchase. Furthermore, the manufacturers prefer this type of rental business because they want to keep their products up-to-date, which is not done readily if title to the equipment is vested in the user.

The bank wanted to explore the possibilities of additional business by financing dealers in other types of heavy, expensive, or potentially rather-quickly-obsolete types of equipment, such as complex electronic equipment. We are now making a study for the bank at the manufacturing level to see how practical it may be for the bank to extend its service.

#### MR for Small Banks, Too

**QUESTION:** *What you have said seems to refer mainly to large banks. Is market research something that also can be used profitably by smaller banks?*

**ANSWER:** I am convinced it can. I live in a relatively small suburb across the Potomac River from Washington, D. C. There are a number of banks in the area, each serv-

ing its own community. I would suppose that any such small bank could have a very good survey made of its customers for about \$3,000.

#### Bank's Own Staff Can Help

**QUESTION:** *Well, aren't there some things in this field a bank can do by using its own personnel?*

**ANSWER:** Yes, indeed. A simple but important body of information could be brought together by a lobby count of customers at different times. The results would be helpful in scheduling staff activities and requirements to serve customers efficiently.

Also, a bank, using its own staff, can draw up a statistical distribution of its accounts. This could be made by size and activity of account, whether it is checking, savings, corporation, individual, or any other important classification. A spot map of geographic distribution of accounts may reveal new business opportunities.

There are so many possibilities it is hard to select just which ones to mention. For example, there is a

bank in a very wealthy Florida resort community. It is in a downtown location and almost completely boxed in by the recent commercial growth of the area. Much of the money passing through its facilities was being simply transferred to a nearby and dominant business center. Many of the bank's individual customers had minimum personal checking accounts of \$100,000 to \$500,000, so this was a matter of consequence. The bank was losing business.

A private consultant analyzed these accounts and found that most of the customers lived in remote sections of the community, and that they were greatly inconvenienced by traffic difficulties. In Florida, branch banks were not legal. So, on the consultant's advice, the bank's stockholders organized a completely independent corporation and located a new bank in the locality where the wealthier customers lived. This project, carried out by the bank's own personnel, illustrates what a bank can do for itself by proper analysis of data already in its possession.

(CONTINUED ON PAGE 122)

#### Typical Survey for a Large Bank

**A**N example of a survey of the public's opinion of banking facilities and its desires in connection with banking is one made by an outside organization for a New York bank in 1955. The survey, a probability sample of individuals over 18 years of age residing in private households, involved 2,000 interviews in 17 counties in and around New York City. A summary of the results fills eight typewritten pages and hence is too long for more than brief reference here.

The interviews elicited opinions as to the relative friendliness of banks and other businesses and suggestions as to what banks could do to be more "friendly."

Frequency of visits to the bank was determined; and personal dealings with the bank were classified according to the customers' age, income, and occupation groups. Bank services used by customers were, as a result of the survey, listed in the order of importance placed upon them by the customers. Twenty-one services figure in the rank order list.

Preferences were elicited as to a charge of 10 cents per blank check as against a 10 cent charge for each check drawn, the replies being broken down as between respondents having special checking accounts and those without such accounts, with a further breakdown as to the reasons for the preferences. Three-fifths of the respondents preferred the charge to apply to checks drawn.

The survey went into reasons for closing an account. Mostly the reason is the change of residence or a job. Nineteen free bank services were the subject of inquiry, revealing several services more wanted than available: checks cashed in any branch, free parking, fast lines for cashing checks, telephone warning of low balance, and Saturday banking. All involve making it easier to use the bank.

Also in the survey were: Where do people save? Why do they save where they do? How many people borrowed? Where and why? How important is convenience?

# Tax Responsibilities of Banks as Employers

*Their Tax Duties Are Varied and Exacting*

HERBERT BRATTER

*This is the eleventh in a series of articles on tax matters of interest to banks. The series has been prepared in Washington by BANKING'S correspondent in the Capital.*

**B**ANKS, like all other employers, have the continuing responsibility for the withholding, deposit, payment and reporting of: (1) income tax withheld from employees' wages; (2) employee and employer taxes under the Federal Insurance Contributions Act (FICA) for social security; and (3) the employer tax under the Federal Unemployment Tax Act (FUTA). These responsibilities rest upon banks and trust companies both with respect to everyday banking operations and the work of the trust department. As executor of an estate or administrator of a trust fund, the bank may be responsible for the operation of a farm, factory or business, or for the management of a domestic establishment having paid employees. A bank serving as trustee and qualifying as an employer, if it fails to withhold the prescribed taxes, is, with the exception noted below, responsible for the taxes.

The exception referred to is that governed by Sec. 406.401 (c) of Regulation 120, which pertains to the withholding of income tax only. If an employer fails to withhold taxes required to be withheld, the taxes will be assessed against him. However, provision is made for abatement if the employer can show that the employee or employees themselves paid the taxes when filing their individual income tax returns. It is important to note that under those circumstances the em-

ployer is relieved of only the employee's tax liability and may still be subject to penalty in the absence of showing reasonable cause for failure to withhold.

## Employer's Tax Guide

For the guidance of employers the Internal Revenue Service makes available, without charge, its Circular E, entitled Employer's Tax Guide. Every bank should have this 31-page pamphlet, which is revised from time to time as necessary. The last revision is dated January 1957. Circular E details the employer's tax responsibilities. The employer must:

### On Hiring New Employees

**For Income Tax Withholding.**—Ask each new employee for a withholding exemption certificate on Form W-4.

**For Federal Insurance Contributions Act (FICA) taxes.**—Record the account number and name of each new employee from his Social Security account number card. If he has no account number, have him file application on Form SS-5.

### On Each Payment of Wages to an Employee

**For Income Tax Withholding.**—Withhold tax from each wage payment in accordance with the employee's withholding exemption certificate and the applicable withholding rate.

**FICA Taxes.**—Withhold  $2\frac{1}{4}\%$  from each wage payment made.

### By 15th Day of Each Month

After each of the first two months of each quarter deposit both income tax withheld and employee and em-

ployer FICA taxes for such month, if the total is more than \$100, in a Federal Reserve bank or other authorized bank. Tax for the third month of a quarter may be either deposited or paid with the quarterly return.

### On or Before Each April 30, July 31, October 31, and January 31

File a quarterly return on Form 941 with the District Director of Internal Revenue and pay full amount of taxes due for the previous quarter on both income tax withheld from wages and employee and employer FICA taxes.

### Before December 1 of Each Year

**For Income Tax Withholding.**—Request filing of a new certificate, Form W-4, by each employee whose withholding exemptions will be different in the next year from the exemptions shown on his last certificate.

### On or Before Each January 31 and at End of Employment

Give each employee a withholding statement in duplicate on Form W-2, showing (1) the total wages and the amount of income tax withheld and (2) the amount of FICA employee tax withheld and the amount of wages subject to this tax. If Form W-2 is not required, give statement of FICA wages and employee tax deducted.

### On or Before January 31 of Each Year

**For Income Tax Withholding.**—File Form W-3, Reconciliation of Income Tax Withheld from Wages, together with all District Director's copies (Copy A) of withholding  
(CONTINUED ON PAGE 64)



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...sales, instruction, service throughout U.S. and the world.

(CONTINUED FROM PAGE 62)

statements furnished employees on Form W-2 for the preceding calendar year.

**For Federal Unemployment Tax Act (FUTA) tax.**—File annual return on Form 940.

For agricultural employers, a separate circular, Circular A, is available, entitled Agricultural Employer's Social Security Tax Guide. Moreover, a considerable list of workers are accorded different employment tax treatment or exemptions. Their treatment is tabulated in Circular E.

Every employer coming within the scope of the three employment taxes must obtain an employer's identification number and use it on all the various forms which must be filled out, especially Forms 940, 941, W-2 and W-3 and in correspondence with the district director and the Social Security Administration. An employer acquiring the business of another employer must not use the number assigned to such other employer. The employer's account number always should appear on Schedule A of Form 941.

### Who Is Considered An Employee?

In general, every individual who performs services subject to the will and control of an employer, both as to what shall be done and how it shall be done, is regarded as an employee for the purposes of the above-mentioned taxes. Even though the employee may be given wide discretion, so long as the employer has the legal right to control the method and the result of the services, the employment taxes apply, even where the employee is designated as a partner, agent or independent contractor, and regardless of whether the employment is part time.

Directors who are not also officers are not employees for the purposes of these taxes, but officers are.

For the purpose of the three employer's taxes, wages consist of all remuneration, whether in cash or other form (with certain exceptions listed in sections 7 and 8 of Circular E), including salaries, fees, bonuses and commissions, whether paid by the hour, day, week, month or year or on piecework or percentage basis. Payment in goods, lodging, meals or other consideration is to be meas-

ured by its fair value. The value of meals and lodging, with the exception noted on page 9 of Circular E and in Ruling SST-302, is always counted as additional wages for FICA and FUTA purposes, but not for income-tax withholding purposes if excluded from gross income under Sec. 119 of the Code. That section provides for the exclusion of meals or lodging furnished for the convenience of the employer if, in the case of meals, the latter are furnished on business premises and, in the case of lodging, the employee is required to accept lodging on the business premises as a condition of his employment.

### Advances and Salary Should Be Entered Separately

Advances or reimbursements for travel and other *bona fide* business expenses do not constitute income for withholding tax purposes, but where their payment is combined with wages or salary they should be clearly identified either on the face of the pay check itself or on the stub. The Internal Revenue Service finds that many taxpayers are not careful to make this distinction. Travel expenses reimbursed to an employee do not count toward his Social Security qualification.

Vacation allowances and back pay, including retroactive wage increases—but not amounts paid as liquidated damages—are taxed as ordinary wages.

For the employee's income tax purposes certain sick pay is excludable. An employer is not required to withhold income tax from excludable

sick pay provided that his records: (1) separately show the amount of each such payment and the excludable part thereof; (2) contain either a written statement from the employee specifying whether his absence from work during the period for which the payment was made was due to a personal injury or sickness, and if the latter, whether he was hospitalized for at least one day during this period; and (3) contain any other information believed to reasonably establish the employee's entitlement to the exclusion.

All such payments must be included on Form W-2 in the amount shown as total wages. However, an employer who maintains the above-specified records may also show excludable sick pay on Form W-2 as a separate item, regardless of whether income tax was withheld from such amounts.

### Included, Excluded Services

Concerning included and excluded services, for FICA purposes Sec. 3121(c) of the 1954 Code governs, and for FUTA purposes Sec. 3306(d). The former provides that, "if the services performed during one-half or more of any pay period by an employee for the person employing him constitute employment, all the services of such employee for such period shall be deemed to be employment; but if the services performed during more than one-half of any such pay period... do not constitute employment, then none of the services of such employee for such period shall be deemed to be employment" as defined in the Code.

Determination of the payroll period and tax treatment of supplemental wage payments such as bonuses, overtime pay and vacation pay are among other matters discussed in Circular E. Income tax withheld by an employer takes into account the number of exemptions claimed by the employee on Form W-4. Where such form has not been furnished by the employee, the employer must withhold tax as if the employee had claimed no withholding exemptions. The rules require the employee, moreover, to file amended W-4 forms whenever the number of his exemptions is reduced and permit him to file an amended certificate when the number of his exemptions is increased.

(CONTINUED ON PAGE 136)

"Sooner or later it was bound to happen . . . some scientist put in a trip to the moon as a business trip!"

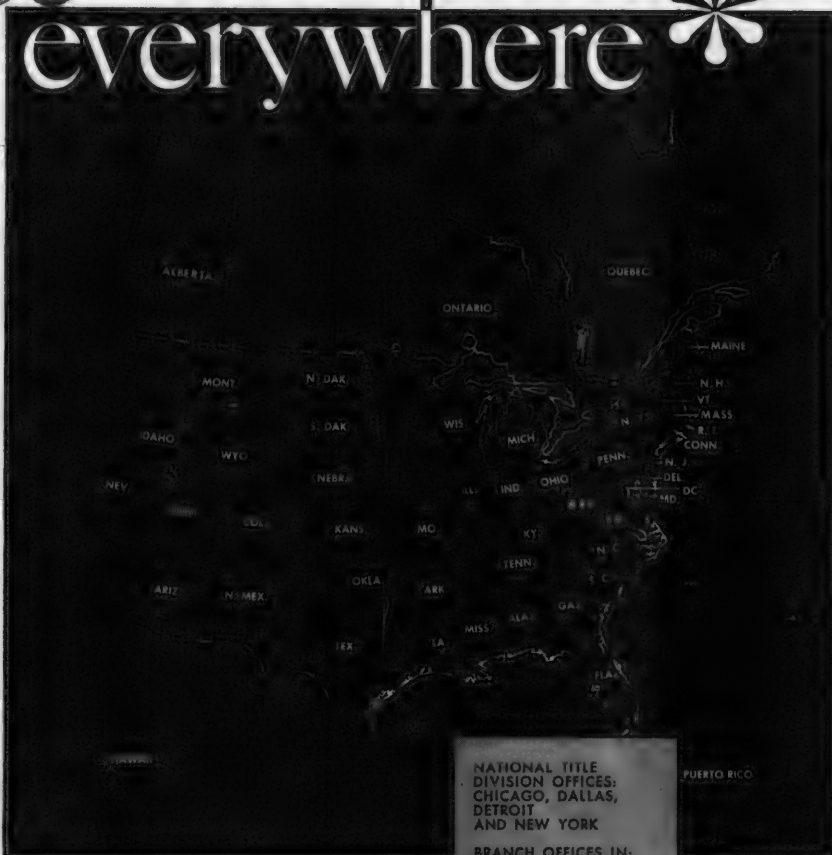


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# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

## Business Building Bulletin

OCTOBER 1958

### IDEAS AT WORK

#### Million Dollar Look

WHEN Rhode Island Hospital Trust Company opened a new office in downtown Providence, the center of attraction was \$1,000,000 in currency stacked in a specially constructed lobby case. More than 10,000 people saw the display.

"Many who came stayed to open accounts or transact other banking business," reports the bank. "For a midsummer opening, the results were phenomenal."

The trust company also exhibited its own collection of old Rhode Island bank notes and a gold coin collection loaned by The First National City Bank of New York. These two displays were shown for 10 days; the million-dollar cache was a 1-day stand.

The bank feels that the promotion demonstrated it's possible to create

*The "Ideas" section of the Business Building Bulletin is edited by JOHN L. COOLEY.*

interest and lobby traffic "without a give-away gimmick."

#### Savings Promotion, Western Style

AT the Valley State Bank, Salt Lake City, a month-long "Howdy, Pardner" savings promotion produced what the bank labels "some very good results."

Employees in the five offices wore western costumes, covered wagon cutouts were posted at each department, and the public participated in two big contests. One was for the youngsters; a free pony for the best completion of the sentence, "I like to bank at Valley State because . . ." an entry form went with each \$10 savings deposit. The other offered a \$300 vacation fund in travelers checks to an adult for finishing the same sentence. The qualifying deposit was \$25.

"We received 925 entries," Vice-president W. E. Myrick told BANKING. "The winning entry in the pony contest read: 'Service is fast, parking is free. It's Valley State Bank for you and me.' The winning entry in the vacation contest was, 'Old enough to be experienced, young enough to be aggressive, large enough to be efficient, small enough to be personalized.'"

A particularly helpful result of the promotion was the effect on the staff. Although not a "new business

contest," it was instrumental in centering employees' interest on the customers.

Also, the campaign tied in with the traditional "Pioneer Days" theme for July in Utah.

The number of new accounts increased. Normally a slow month, July 1958 was the year's best, to date, for new business.

#### "Your Attorney, Our Trust Department"

THE San Diego Trust & Savings Bank, San Diego, Calif., has an active program for promoting goodwill between the banking and legal professions.

Close cooperation with the county bar association is implemented in several ways, among them the posting of triangular signs in the lobby and at executives' desks reading:



The million dollar look in the lobby of the Providence bank's new branch



Part of the "Howdy, Pardner" staff at Valley State Bank



George A. Lazar, Jr., vice-president, San Diego County Bar Association, left, and Thomas W. Sefton, executive vice-president, San Diego Trust & Savings Bank, with one of the lobby signs

"Is your will up to date? See *your* attorney and *our* trust department."

This reminder has caused considerable comment, says Thomas W. Sefton, executive vice-president of the bank. Many long-time customers have appreciated the suggestion that it would be wise to check family provisions in vital documents.

The public relations program is for the benefit of all attorneys, Mr. Sefton emphasizes. The bank donated \$5,000 for establishing and maintaining the new San Diego County Law Library section on estates, trusts, and taxation. Other plans to support good banker-lawyer relations are under way.

### Guarding Cash

"**CARELESS CASH**" is the title of a 16 mm. color film, with narration and music, produced by American Express and available to banks free of charge for showing to staff people or other groups.

The 10-minute picture is based on a study which disclosed that more than \$100,000,000 in cash is lost, destroyed or stolen annually in this country due to carelessness. It touches on the most prevalent money hazards while traveling, shopping, and around the house. The action demonstrates how pickpockets work and how travelers checks and bank services protect the public. Sam Locke wrote the script.

If you're interested, write to



Two stills from "Careless Cash"

American Express Travelers Cheque Sales Dept., 65 Broadway, New York, N. Y.

### Main Street, Your Town

A MOVIE film, "Small Business U.S.A.—the Story of Main Street," has been prepared for the guidance of management by Dun &

## Previews of Banking for Tomorrow's Customers—

**A**T the opening of a new season for student tours of banks we pass along a few reports on organized programs that are being continued, with the thought that you may get an idea or two to use in your own educational work with tomorrow's customers and employees.

### A Check's Travels

At Trust Company of Georgia, Atlanta, there are two tourist categories: elementary and high school pupils, and business students from several colleges in Atlanta. "For the younger group," says Louis C. Funk, advertising manager, "we have developed a single program in which we draw a check for \$1 to the order of one of the children. He then takes it to a teller who explains the requirements for cashing it. The group moves on to the bookkeeping department where (by coincidence) the same check is being posted on my account. We make a final visit to the instalment loan department where a youngster applies for a loan. For this group we omit the bond, trust, foreign, factoring and many other departments and services.

"The college students are taken to the board room where four or five of our top officers lecture to them and answer questions. We then take a tour of the departments that interest the visitors. Both groups receive literature about the bank and

are entertained either at lunch or light refreshments in the bank dining room. We usually take a photograph. And we try to keep the visit within two hours."

### Standing Invitation

When American National Bank and Trust Company of Chattanooga, Tenn., started a tour program it wrote the principals of all schools in the city and county inviting the student and teachers, J. A. Mischler, assistant vice-president, reports that this standing invitation has been very successful; each fall and spring the bank receives requests for the guided tours.

The young people are divided into groups of not more than eight and taken into each department where an officer explains what the department does and how its work ties in with the rest of the bank. The tour lasts about 45 minutes. When it's over the visitors go to the lunch room for light refreshments and a question-answer session.

### Two Hours in the Morning

The personnel department is in charge of tours at the Industrial National Bank of Providence, R. I. All public and parochial schools in the city are invited each year to send their senior classes.

"We prefer to have the tour commence as soon as





In this scene from the Dun & Bradstreet small business film the new druggist is signing for a modernization loan at the local bank

Bradstreet, Inc., New York mercantile agency. The script is the story of several small businesses as seen through an accountant's eyes. It is based on case histories from the D. & B. credit files.

The action unfolds in episodes. There are visits to and conferences with the owners of several small businesses. The accountant is assisted by a lawyer, a banker, a Dun & Bradstreet credit reporter, and several businessmen in developing the theme "Is there a formula for success in business?"

The 30-minute picture, black and white, is available at a nominal rental fee.

## NEWSWORTHY

**"PROFITS."** Chase Manhattan Bank, New York City, published in its employee newspaper two stories on the bank's profits. They were inspired by a reader who said he had been interested in a story on the midyear statement, but didn't understand how much the bank made. The articles explained, among other things, that banks make their profits through sales of services.

**NOVEL INSERT.** A 4-page insert in the *Chicago Tribune* featured for the Oak Park Federal Savings and Loan Association a real postage

paid, return addressed save-by-mail envelope affixed to the first page. The insert had four colors on pages 1 and 4 and a black and white spread. Steve O'Connor, the association's ad director, said the cost of placing 240,000 envelopes in the hands of prospective savers was less than the cost of direct mailing.

**TYPE.** Valley National Bank, Phoenix, Ariz., recently ran an ad composed in more than two-score fonts of type. The text explained the advantages of each, then noted that the bank "makes every type of loan known to the modern world." Valley branches supplied copies to teachers of printing. Journalism students, ad agency personnel, and print shops requested samples, too.

**CURIOSITY SATISFIER.** The First National Bank of Boston has prepared "Data Processing Comes of Age at the First," for the information of visitors to the bank's new automation center. It explains electronic data processing and describes the bank's installation.

## a Report on Student Tour Programs

the bank opens in the morning, and we like to allow two hours for it," says Harrie N. Arnold, assistant vice-president. "The classes, limited to 30 young people, are divided into two groups. If there are more than 15 in a group the guide loses control and cannot be heard by everyone."

The visitors inspect major areas of the bank and hear brief explanations, from the guide or department head, about the functions of each. Half way through the tour there's time out for coffee and doughnuts in the bank cafeteria. Later the pupils meet in the directors' room for a discussion period. Officers talk about the advantages of working in a bank and answer questions.

### 100-Mile Radius Tapped

The Manufacturers National Bank of Detroit's tours are under auspices of the Banks and Bankers Division which extends invitations to high schools in Michigan cities within a 100-mile radius of Detroit. The letter is addressed to the local bank which makes the arrangements with the school and thus shares in the public relations benefits.

The school provides bus transportation, we're told by Grant E. Armstrong, second vice-president, and the visitors are asked to arrive between 9:30 and 10 A.M.

"While the ideal number of students for best

results is 15 to 25," says Mr. Armstrong, "we often have 40. In such cases, we divide the group into two divisions. Usually the home bank will send a representative, an arrangement that works nicely from the standpoint of community relations."

Tours are conducted by senior employees, with department heads supplying information as the trip progresses. The itinerary is arranged to show how work originates and how it flows through the bank. Attention is called to the opportunities in bank jobs, the training necessary, and what the bank does to provide it.

Lunch is served at the bank, and later there is often some television entertainment. On leaving, each student gets a kit consisting of a booklet on bank services and a copy of the bank's statement.

### Business Classes

School children and students in business and secretarial classes are among the groups that visit The Fourth National Bank in Wichita, Kans.

"We have two very attractive young ladies who are the official guides for the bank," says Vice-president G. Robert Gadberry. "They spent considerable time in the departments and in digesting prepared material about the bank. We serve visitors a soft drink in the cafeteria at the end of the tour, and answer questions."

# ADS and AIDS that sell SERVICES

## 1959 Christmas Club Ads

*Two new A.B.A. series of newspaper advertising mats*

Here are two brand-new series of newspaper advertisements designed to swell the number of your Christmas Club depositors for the coming Club "year." If the Club classes appearing in the ads do not correspond to those of your bank, your newspaper can easily delete the former, substitute the latter.

Christmas Club cartoon series CC-Y consists of 4 ads (one of which is pictured at right)—supplied complete in mat form.

Much fairer and warmer will be Christmas Day  
For folks who've prepared in the Christmas Club way!



**JOIN OUR 1959  
CHRISTMAS CLUB  
NOW**

Choose one of  
these classes

DEPOSIT WEEKLY	RECEIVE IN 50 WEEKS
\$ .25 .....	\$ 12.50
.50 .....	25.00
1.00 .....	50.00
2.00 .....	100.00
3.00 .....	150.00
5.00 .....	250.00



Santa's calling — for a merry Christmas next year, too. Be sure of ample funds for gifts: Today,

**JOIN OUR  
Christmas  
Club  
FOR 1959!**

CHOOSE ONE OF THESE CLASSES

Deposit Weekly	Receive in 50 Weeks
\$ .25 .....	\$ 12.50
.50 .....	25.00
1.00 .....	50.00
2.00 .....	100.00
3.00 .....	150.00
5.00 .....	250.00


Santa photo series CC-X (sample ad pictured at left): 4 ads, ready for your newspaper to add your own bank signature.

The first bank in a community to order either series will have exclusive use thereof in the community. To be sure of getting the series that you want, write the A.B.A. Advertising Department now for an order form. Advertisements are shown here in reduced size: Mats actually measure 2 columns x 6".

# ADS and AIDS that sell SERVICES

## New A.B.A. Direct Advertising Material

*Each month, new direct mail pieces are prepared. Here are the latest:*



**CHOOSE ONE OF THESE CLASSES**

Deposit Weekly	Advance in 50 Weeks	Deposit Monthly	Advance in 50 Months
\$ 25	\$12.50	\$2.00	\$100.00
.50	25.00	3.00	150.00
1.00	50.00	5.00	250.00

Name of your bank here  
(See Other Side for Prices)

**REMINDER:** Despite the wide-spread use of writing instruments which do not necessitate a blotter, a great many people use fountain pens. These people like blotters and expect to find them on writing desks at the bank.

Christmas Club blotter, shown at left, can be used as a statement enclosure, on lobby desks and counters, as well as a special insert with Christmas Club checks and with safe deposit bills. Your own Club classes will be imprinted on the panel, along with your bank signature. Blotter is printed in an attractive and appropriate combination of Christmas red and Christmas green, on white background.

The auto loan folder shown below is a timely one to use if you are getting ready to finance the 1959 cars. If you plan a later use, you'll do well to reserve the folder for exclusive community use by ordering now. Cover design is as modern as the new cars themselves; text points out just how the car-buyer saves by financing through your bank, and invites readers to contact you for further facts, and figures. Colors are yellow, blue, and black.



**Save on your 1959 car...**

**Finance it at our bank!**

For samples and details, simply write the A.B.A. Advertising Department, 12 East 36th St., New York 16, N. Y. Please specify folders desired, by title.

# How Banks Use Tele-sell

**T**HE source of this review of 11 banks' TV activities is a series of "success stories" prepared by the Television Bureau of Advertising, Inc., New York and San Francisco. Most of these banks have been television users for some time and put substantial percentages of their advertising budgets into this medium.

## Banks Are People

*Connecticut Bank & Trust Company, Hartford.* Has two 5-minute and three 10-minute news programs; also annually sponsors coverage of a professional golf tournament.

Basic advertising theme centers on slogan "Banking Is People." In filmed commercials a professional actor talks about bankers and how they can be helpful. Usually he shows a picture of the employee he's talking about, discusses the person's job, emphasizes the bank's over-all service. Occasionally customer problems are presented.

"Your Classified Banking Directory," a booklet, is offered at intervals; there's a steady demand for it.

## Photos

*Crocker-Anglo National Bank, San Francisco.* Buys seven 20-second evening announcements weekly on three major local channels. In nine other Northern California markets, it runs an average of two to three 20-second announcements in Class A and Class AA time periods.

For its selling messages, Crocker-Anglo takes hundreds of still photos of people, from which the best are selected. Moving the pictures in front of the camera produces effective video. Voice-over technique is used: two people discuss the bank—husband and wife, two baseball players, etc. The story usually ends with Crocker-Anglo solving a problem.

Almost 50% of the bank's media

expenditure is spent in spot television.

## Corporate Image

*The Philadelphia Saving Fund Society.* Schedule includes a late Saturday newscast; 3-minute weekly participation in a late movie; 10 20-second station breaks in day and evening hours.

For the commercials, an animated figure was developed as a symbol. (It is now used in all printed advertising, too.) This "corporate image of convenience" has had favorable results; the bank has moved ahead in new accounts.

More than 30% of the advertising budget is in television this year.

## Spots Sell Services

*Valley National Bank, Phoenix, Ariz.* Spot announcement campaigns are used on all eight Arizona stations. With branches covering every county, the bank buys weekly announcement programs in Phoenix, Tucson, and Yuma.

Selling messages describe the services. Commercials are filmed and

are "live-action," with optical dissolves. The message opens with a shot of the vertical side of a lighted sign that slowly turns toward the viewer. A bank manager's head pops in, and he talks about a service. Each spot includes 10 seconds of institutional selling, 8 of specific-item selling, and 2 of closing identification.

Advertising Director M. G. Reade says: "Our experience with television has been good."

## "Different"

*City National Bank & Trust Company, Columbus, Ohio.* Presents a weekly 90-minute feature film, "Something Different," without interruption at 10:30 P.M. Saturday evenings.

To cover the bank's services in live sales messages, a camera pans over cutouts mounted in the studio (branches, logos, slogans, etc.). No individual is shown, but a man's hands guide the viewer over the miniature sets.

City National merchandises extensively. Printed cards listing coming movies on the bank show are distributed every two months. The bank's employees select the films from a list submitted by the station. Only the most popular choices are used.

## Persuasive Selling

*First National Bank of Portland, Ore.* Regular weekly 20-second station-break announcements on the three local stations, and a weekly comedy drama film program in each of three single station channels elsewhere in the state. It also sponsors live coverage of Portland's annual Rose Festival Parade.

"We use television for two basic services," says Don Ostensoe, advertising director. "One is to create a mass impression of the friendly and efficient service the bank has to offer.

(CONTINUED ON PAGE 140)

## A Typical Week

**S**UMMARIZING a typical week in 19 markets throughout the country, the Television Bureau of Advertising, Inc., reports that 59 banks bought 68 programs and 247 spot announcements in all time periods. Here is the breakdown:

	Spot Announcements	Programs
Morning (before 12 noon)	13	—
Afternoon (12 noon-5:59 P.M.)	48	2
Evening (6 P.M.-10:29 P.M.)	153	43
Late night (10:30 P.M. to end)	33	23
Total	247	68



# Public Relations Expansion Builds Better Banking Image

**T**HE people's "image" of bankers has been undergoing a remarkable change for the better during the last few years as a result of the greatly increased public relations activity for banking.

More people are coming to know that banks are warm and friendly places where they are welcome regardless of the size of their account. They are learning, for example, that the commercial bank is not "for businessmen only," as early public opinion studies reported. The public is also finding out that banks offer a great variety of services to meet most of the financial needs of the average family.

With the spectacular growth in population, employment, and incomes since World War II has come an awakening of bankers to the great business potential of consumer services. The "market" for consumer bank services will be three times as large by 1960 as it was in 1950, according to conservative estimates. The number of families (or "spending units") with net incomes over \$4,000 a year moved from 12,000,000 in 1950 to 24,000,000 by 1956, and, we are told, will reach 36,000,000 by 1960.

## PR As a Defense

As more people have moved up into the income groups where they need banking services, other nonbank financial institutions have moved in to get a larger share of this business.

These competitors have engaged in broad promotional programs—public relations, merchandising, and advertising—individually in their communities and collectively in national activity. Their rate of growth in attracting savings in recent years has been phenomenal—largely because of their effective promotion to the public.

Major credit for improved public

relations for banking goes to the managements of those progressive banks that have put the new techniques of public relations to work in their communities. That is the "front line" where the battle for business is waged. It is clear that more banks must follow the lead of those with well organized and soundly conducted public relations programs if they are to gain a larger share of the potential business.

## A.B.A.'s Enlarged Program

The American Bankers Association has expanded its public relations program in a big way in recent years. It has stepped up its services to banks, developed new materials for local use, and launched a broad, countrywide campaign to educate the public.

The keystone of the A.B.A. public relations program has been its task of helping the local bank to do a better job. A wide range of special brochures, manuals, speech materials, motion pictures, and other aids have been created for banks to put to work in building better public relations.

Three years ago, the A.B.A. expanded its national public relations program to carry the story of banking, bank services, and bankers more widely to the general public. This activity has produced a continuous stream of stories and features in newspapers throughout the country, articles in national magazines, programs on national radio and television networks and stations, as well as educational material reaching special segments of the public. This program has become an integral part of the A.B.A. public relations program and is carried on under the direction of the Public Relations Council.

Another important part of the A.B.A. work to help build a better "image" of banking in the mind of

the public is its cooperation with the state associations, the Financial Public Relations Association, and other bank groups that share in the over-all effort. It is the rising spirit of cooperation among all segments of the banking business that accounts in a large part for the improving of public relations.

More banks have been using A.B.A. facilities, services, and materials to improve their public relations; more state bankers associations have been expanding their public relations activities; and national organizations like FPRA have worked hard to promote better public relations in banking. Altogether, the effect of these efforts has been the start of a big change in the way banks go after consumer business, with an emphasis on human interest. The outward and interior appearance of banks has become less austere. Prospects and customers are made to feel more welcome. A whole new "image" of banking is being presented to the public.

## Banking Industry Will Benefit

While banking has grown by leaps and bounds in recent years, it is still a sobering fact that the nonbank financial institutions have gained a larger percentage share of business—largely because they have been more active in public relations. Since banks have a great deal more to offer the public than their competitors, they should be able to do a better job of relations with the public too, if they make better use of the public relations tools that are available.

The progress that most banks have made in improving the image of banking through better public relations in the past few years should serve as an inspiration to those other banks that have not yet discovered the value of having a good public relations program.

## New A.B.A. Film—"A Man To Know"

**T**ELEVISION viewers across the country will soon be seeing a new 13½-minute motion picture which has just been produced for the A.B.A. Public Relations Council.

The film—titled *A Man To Know*—is designed to serve a double purpose: (1) dramatize the wide variety of services available at commercial banks, and (2) build a friendlier "image" of the nation's banks and bankers.

As entertaining as it is informative, the film uses a documentary technique similar to that which was used so effectively in *Future Unlimited*, the Council's recruitment film which has been shown to date over more than 200 stations.

Holding the viewer's attention is the human, down-to-earth story of how a small-town banker is able to step in at crucial times and help representative people of his community live happier, more successful lives.

One is a young housewife who was having so much trouble managing her finances that it threatened to disrupt her marriage. Another is the owner of a

small radio and television shop who needed the bank's help and advice to build up his business and get it on a sound footing. And the third is a retired older man who was able to meet all his financial requirements through the years largely because of the services provided by the bank.

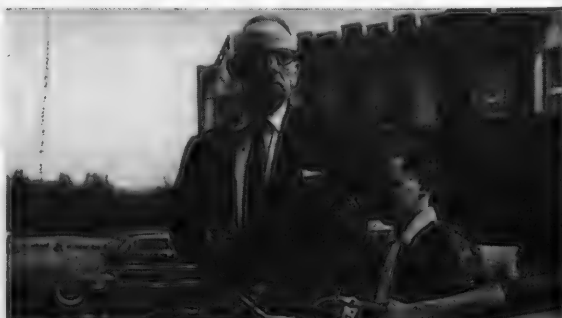
Through a series of "flashbacks," the banker's role in each of the three lives is pictured in dramatic fashion. As the story unfolds, with most of the action outside the walls of the bank, the spotlight is logically focussed on various bank services, with emphasis on those of major interest and importance.

While the film is centered on the experiences of only three people, the treatment makes it clear that there are countless similar stories in every community, and others can benefit from their bank's services in the same way as the characters portrayed.

In addition to being shown on television stations as a public-service feature, the motion picture will be made available later to A.B.A. members for purchase or rental.



SCENES FROM NEW A.B.A. FILM—Above, Left—Poor financial planning threatens a marriage. Above, Right — With guidance from her banker, the young housewife gets help on family finances. Below, Left—A small shop owner learns about his bank's services while getting needed aid for his business. Below, Right—Bank's continuity of service to community is symbolized by one of its oldest customers and one of its newest

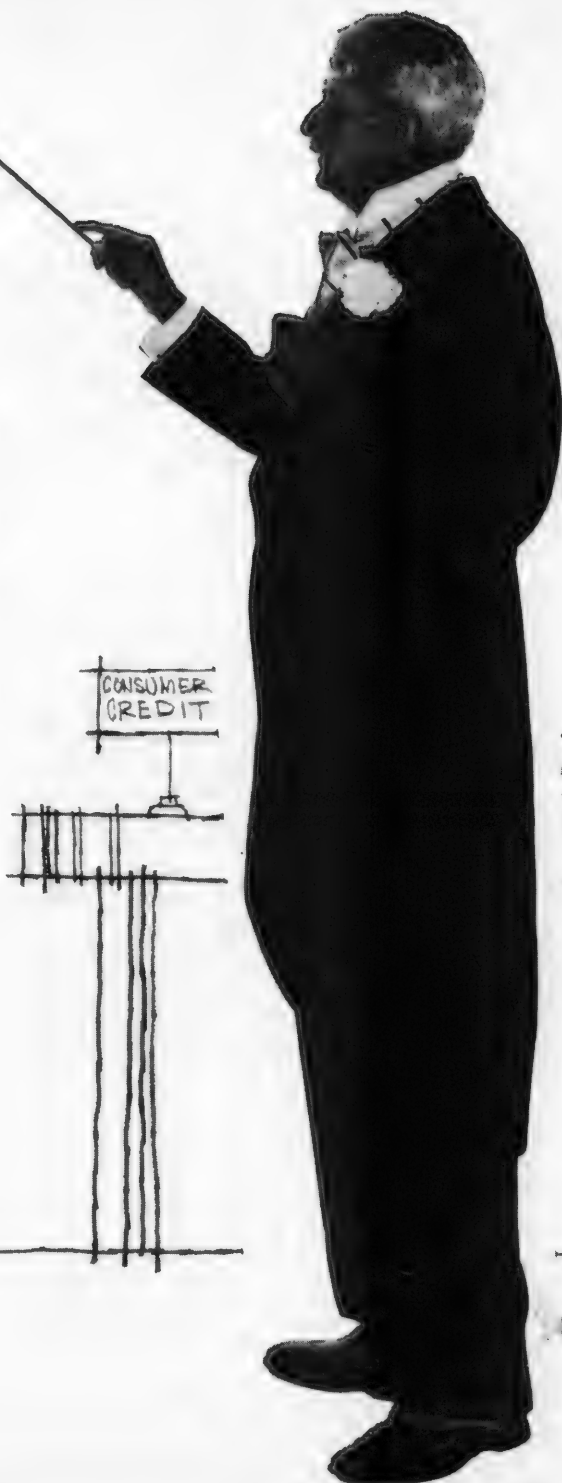


# Conducting A Profitable Loan Business

Add this profitable new arrangement to your installment loan repertoire: Continental's PROTECTED PAYMENT PLAN. It promotes your business by attracting dealers and direct loan customers while it protects your loans against payment delinquency.

PPP makes payments on installment loans when your borrower is sick or injured and unable to work. It can also pay the insured balance of the loan in the event of death. Either Accident and Health, or Life coverage, or both are available.

Write today for a descriptive booklet with complete information on how you and your customers can profit with Continental's PROTECTED PAYMENT PLAN.



CREDIT INSURANCE DIVISION

CONTINENTAL ASSURANCE COMPANY  
CONTINENTAL CASUALTY COMPANY

100 North Michigan Avenue, Chicago 45, Illinois

Branch Office

100 St. East, Toronto, Ontario

Members of the Continental National Group

Continental Casualty Company

Continental Assurance Company

National Fire Insurance Company of Hartford

Transcontinental Insurance Company



ABOVE, LEFT—Front of First National Bank, Farmington, New Mexico, features 12x30-ft., vari-colored, abstract ceramic tile mural to the left of the entrance. (Bank Building & Equipment Corp.) ABOVE, RIGHT—Colonial-type building, located on a triangular plot, of the West End Office of the Trust Company of Georgia, Atlanta

BELOW—The Cornwall office of the County National Bank, Middletown, N. Y., uses large glass areas, drive-up facilities, and a contemporary styled exterior to accomplish “functional efficiency.” (Hoggson Brothers, Inc.)



## For the Building Scrapbook

BELOW, LEFT—The banking floor of Union Dime Savings Bank, New York City, with view of the new account and special services area in the center of the floor. BELOW, RIGHT—Bermudian architectural lines of the St. George's Branch of The Bank of N. T. Butterfield & Son, Ltd., in Bermuda, conform to the quaint decor of the town







ABOVE, LEFT—The lines of a modern ranch house at the Carmichael Office of the Crocker-Anglo National Bank, Calif., are carried out by exposed pebble walls, redwood trim and a roof of crushed rock. ABOVE, RIGHT—Entrance to drive-in window and a partial view of the exterior of the Hessville Branch of The Calumet National Bank of Hammond, Ind.

BELOW, LEFT—Ultra-modern interior provides customer convenience and comfort in The Savings Bank of New Britain's branch office in Wethersfield, Conn. BELOW, RIGHT — The Capital Office in Boise, of the Idaho First National Bank, is of tapestry brick with aluminum-framed window-walls, and is located at the highest traffic density intersection in Idaho



BELOW, LEFT—Adjacent to the main building, the gull-winged addition of the Bolton Branch of the Rapides Bank and Trust Company, Alexandria, La., offers four-unit drive-up service. (Bank Building & Equipment Corp.). BELOW, RIGHT —In the First Wisconsin National Bank's relocated Capitol Court office, an antique mirror on the rear wall adds dimension



# Summary of United States Banks

Bank Count and Totals—June 1958

Compiled by Polk's Bank Directory, Nashville, Tenn.

STATES AND TERRITORIES	National Banks	National Bank Branches	State Banks & Trust Co.	State Bank Branches	Mutual Savings Banks	Mutual Savings Bank Branches	Private Banks	Other Banking Institutions	Other Bkg. Instit. Branches	Facilities	TOTAL BANKS	TOTAL BRANCHES	DEPOSITS	CAPITAL ACCOUNT	TOTAL ASSETS
Alabama	69	51	169	5						6	238	56	\$ 1,797,676,147	\$ 174,744,576	\$ 1,991,917,784
Alaska	7	8	10	1			1			6	18	9	167,117,983	12,552,620	180,472,720
Arizona	3	95	3	29				2	11	6	8	135	977,736,145	73,824,373	1,078,879,745
Arkansas	55	6	179	24				2		2	236	30	1,027,842,865	106,499,006	1,138,898,638
California	49	1,053	76	339				6	12	27	131	1,404	22,033,500,370	1,596,799,120	24,207,507,021
Colorado	77		80						12	3	169		1,702,492,599	150,436,597	1,873,867,705
Connecticut	31	69	44	82	71	37	2	5		1	153	188	4,449,600,162	442,978,509	4,934,436,851
Delaware	7	1	20	43	2	2				1	29	46	795,968,928	88,528,038	894,279,528
District of Columbia	7	27	8	26				1		5	16	53	1,472,427,043	110,259,571	1,693,136,433
Florida	99		177					3		12	279		4,180,411,956	339,466,556	4,572,043,792
Georgia	52	41	308	26			49	1		10	410	67	2,519,737,492	246,163,714	2,816,997,053
Hawaiian Islands	1	23	4	40					5	1	10	63	550,931,108	47,175,306	612,109,175
Idaho	9	65	19	14						1	28	79	576,906,180	41,291,384	626,915,722
Illinois	393		546					13		4	942		16,311,758,026	1,372,696,346	17,897,750,225
Indiana	124	106	333	127	4		4	4		3	469	233	4,396,745,024	372,460,081	4,828,366,585
Iowa	97		564	1165			9	1			671	165	2,522,130,239	238,934,782	2,779,653,311
Kansas	169	4	424					3	1	4	596	5	2,097,838,051	201,170,282	2,313,335,990
Kentucky	87	51	273	57				1		3	361	108	2,001,563,532	202,982,495	2,228,595,822
Louisiana	41	79	144	65						5	185	144	2,697,010,838	224,294,162	2,944,421,611
Maine	29	31	26	77	32	3				1	87	111	966,812,506	110,571,611	1,088,889,504
Maryland	53	59	90	131	7	33				10	150	223	2,792,867,973	241,465,542	3,069,106,462
Massachusetts	109	161	62	144	186	85		2	1		359	391	10,559,932,664	1,132,233,262	11,958,996,453
Michigan	74	160	317	312				1	1		392	473	7,977,484,362	634,429,863	8,733,892,074
Minnesota	179	6	504		1			1			685	6	4,117,188,832	359,675,171	4,553,772,930
Mississippi	27	17	168	97						2	195	114	1,121,460,589	100,541,085	1,227,198,522
Missouri	75		537					4		2	616		5,588,961,861	496,800,696	6,150,350,024
Montana	41		73					1		1	115		726,088,008	51,433,154	786,416,744
Nebraska	123		294					7		1	424		1,455,743,575	148,371,809	1,625,231,561
Nevada	3	20	3	13						2	6	33	349,832,856	22,323,006	376,915,971
New Hampshire	51		#25	1	34	1				1	110	2	825,126,520	103,109,425	938,198,411
New Jersey	169	192	95	146	21	19		3		6	288	357	7,307,923,047	598,918,154	8,002,545,847
New Mexico	27	18	26	21						4	53	39	601,662,679	45,280,813	650,112,608
New York	266	382	179	803	128	142	2	8	2	1	583	1,329	63,985,131,024	6,079,442,848	71,955,169,817
North Carolina	44	75	163	311						1	207	386	2,572,058,577	274,788,946	2,902,631,909
North Dakota	38	1	115	28				1			154	29	701,766,279	64,515,495	772,455,951
Ohio	229	247	380	269	3	14	1			1	613	530	10,522,227,184	899,161,040	11,595,768,448
Oklahoma	197		189					3		7	389		2,374,442,236	231,631,506	2,628,925,321
Oregon	11	142	42	20	1			2	1		56	163	1,863,498,473	165,504,350	2,059,813,301
Pennsylvania	494	355	249	270	7	43	5	4	2	3	739	670	13,251,761,160	1,705,299,520	17,175,612,466
Puerto Rico		9	7	#63				1	#8		8	80	280,830,550	58,193,497	366,952,639
Rhode Island	4	44	4	34	8	19				1	17	97	1,260,392,162	123,984,599	1,401,599,611
South Carolina	25	84	1119	31				1		5	145	115	847,973,393	88,041,737	942,639,032
South Dakota	34	22	138	29						1	172	51	626,295,008	59,767,849	690,834,352
Tennessee	75	95	220	75				4		7	299	170	2,789,461,144	249,072,637	3,095,717,186
Texas	456		495				13	4		22	968		10,386,072,489	1,051,698,540	11,559,251,627
Utah	7	37	41	27						5	48	64	829,837,274	66,841,759	918,768,050
Vermont	32	16	25	11	6	3		1			64	30	464,628,484	46,445,569	515,819,532
Virginia	131	103	181	104						17	312	207	2,923,276,328	264,901,286	3,226,039,286
Washington	25	220	64	21	4	7			1	4	93	249	2,824,035,644	238,909,596	3,107,016,571
West Virginia	77		106								183		1,171,613,688	135,745,579	1,317,735,119
Wisconsin	97	16	451	\$136	4			4			556	152	4,115,668,723	375,092,611	4,533,415,438
Wyoming	24		28							1	52		342,227,321	30,301,174	379,027,251
U. S. Dependencies															
American Samoa			1								1		1,767,000	158,000	1,960,000
Canal Zone		4										4			
Island of Guam		1									1	1			
Mariana Islands											1				
Virgin Islands	1	1	1	2	1						3	3	19,526,913	1,484,248	22,062,560
Totals	4,604	4,197	8,799	4,219	520	408	86	102	40	206	14,111	8,864	\$242,845,576,214	\$ 22,299,422,645	\$269,874,427,918

## COMPARATIVE TOTALS FROM PREVIOUS EDITIONS

	June 1957	June 1955	June 1950	June 1945	June 1940
Banks	4,646	3,822	8,832	3,934	526
Branches	3,822	3,091	9,483	3,782	387
Deposits	4,744	3,091	9,483	3,782	92
Capital	4,977	2,123	9,574	2,767	106
Assets	5,023	1,646	9,473	2,226	18
State Bank Count	5,165	1,544	9,702	2,138	93
State Bank Branches					18

The 12 Federal Reserve Banks operating 24 Branches, the 12 Federal Intermediate Credit Banks, the 12 Federal Land Banks and the 11 Federal Home Loan Banks operating 3 Branches are not included in the bank count. Statement figures of these banks are not included in the Deposits, Capital Accounts and Total Assets figures.

□ Mutual Savings Banks and Branches, total number of banks and branches included in State Bank count for June, 1955, 1950, 1945 and 1940.

† Illinois count of Other Banking Institutions includes three trust companies organized under "An Act in relation to corporations for pecuniary profit."

‡ Iowa Branches are called Offices and are permitted by State Bank and Trust Companies only.

\* New Hampshire operates 7 Guaranty Savings Banks, included in State Bank count.

• Under State Bank Branches in Puerto Rico, number of branches indicates permanent locations; in addition "Mobile Units" are serving 26 towns on scheduled stops. Other Banking Institution branches includes 8 Branches of Canadian Banks.

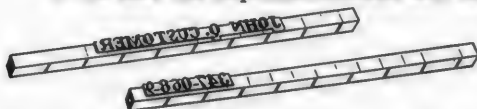
† South Carolina bank count of State Banks and Trust Companies includes 5 Depository Banks.

‡ Wisconsin Branches of State Banks and Trust Companies are called Stations.

\* Comparative figures from previous editions (June 1950, 1945 and 1940) do not include Puerto Rico and U.S. Dependencies.

# How to Select Your Imprinter-Encoder for Electronic Bookkeeping

1. Be sure the imprinter-encoder will take straight, flat linotype slugs like this —  
... to eliminate time-consuming type setting on all existing accounts.

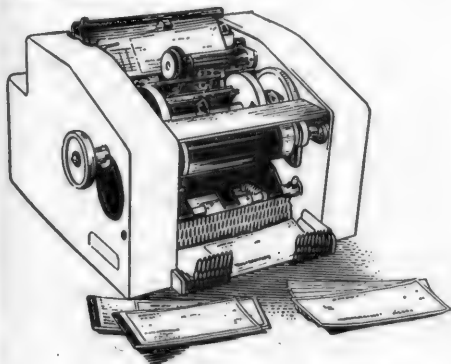


2. Be sure the imprinter-encoder will take straight, flat name tubes like this —  
... to permit personalizing and encoding the new customer's checkbook in 2 minutes.



3. Be sure the imprinter-encoder will permit printing the customer's name (and address if desired)—plus the sorting code number in any area of the check in one pass through the machine.
4. Be sure you have the freedom to purchase your checks from the supplier of your choice.
5. Be sure you select an imprinter-encoder that is installed and serviced by a Company with many years' experience in installing imprinters in banks.
6. Be sure to select equipment built specifically for imprinting and encoding rather than ordinary printing.

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## Main Street

(CONTINUED FROM PAGE 32)

### First All-Girl Bank Opens in Connecticut

MARLAN WETHERBEE, mortgage officer, will head the all-girl staff of The Middletown (Conn.) Savings Bank's new Portland branch when it opens this month. This will be the first bank in the state to be staffed completely by women.

This branch, directly across the Connecticut River from the head office in Middletown, also will be the first savings bank facility in that part of the state.

FIRST STATE BANK of BEECHER (Ill.) starts construction of new office on new location in South Chicago Heights to which it anticipates move in early 1959. Bank's name will then become AMERICAN SAVINGS BANK.

NEW AUGUSTA STATE BANK, Pike Township, Ind., merges into INDIANA NATIONAL BANK.

Merger pending mid-October approvals: BRADFORD (Pa.) NATIONAL BANK and CITIZENS NATIONAL BANK of BRADFORD.

FIRST WESTERN BANK and TRUST COMPANY opens Oroville, Calif., office, which brings branch total to 100.

FARMERS STATE BANK of WORLAND (Wyo.) becomes FIRST NATIONAL BANK in WORLAND.

FIRST NATIONAL BANK, Yorktown, Tex., celebrates completion remodeling and 55th Anniversary simultaneously.

AMERICAN NATIONAL BANK & TRUST Co. opens new Hixson branch in temporary quarters, a trailer.

FLORIDA NATIONAL BANK starts construction on new building at Fernandina Beach, Jacksonville.

MECHANICS & FARMERS SAVINGS BANK, Bridgeport, Conn., opens Boston Avenue office.

Newly-organized FIRST STATE BANK of CALUMET CITY, Ill., opens.

BANKING



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The "Economics of Farm Machinery" was discussed by Professor Robert S. Smith at the 2-day Graduate Bankers Agricultural Farm Seminar, sponsored recently by the New York State Bankers Association and the State College of Agriculture at Cornell University. A field trip to the farm of Roger Bradley, *second from right*, at King Ferry was a seminar feature. Shown with Mr. Bradley are, *left to right*, Professor Smith, R. L. Higley, chairman and vice-president, National Bank of Delaware County, Walton; and W. S. Gay, assistant secretary, Marine Midland Trust Co. of Southern New York, Cortland. Mr. Higley is chairman, Agricultural Committee, NYSBA

## News for Country Bankers

### Increasing Competition of PCAs Threatens Bank Lending Leadership, Joseph C. Welman Tells Banks

**I**N a letter last month to all banks that are members of the American Bankers Association, retiring A.B.A. President Joseph C. Welman drew attention to the increasing competition from the Production Credit Associations and called upon the banks to review their agricultural lending practices with a view toward maintaining their leadership in farm lending.

Summarizing the development of the PCAs since they were created in 1933, Mr. Welman pointed out that these associations, first set up and operated with Federal Government capital but now largely owned by their farmer-members, make the same kinds of short-term and intermediate-term loans that banks make, and to the same kind of agricultural borrowers. Their growth has been remarkable.

"During the past 10 years," Mr. Welman said, "the volume of PCA loans has increased 307%, while comparable non-real-estate loans of banks increased only 229%. During the past two years, PCA loans increased 37%, compared with an increase of only 9% for banks."

The A.B.A. president noted that some of the factors responsible for the recent growth of the PCAs include the use of personal solicitations and the employment of agriculturally trained personnel, plus emphasis on advertising and publicity.

Banks still are by far the most important source of agricultural lending, he said, but they will have

*This department is edited by  
MARY B. LEACH of BANKING's staff.*

to be alert to the credit needs of a rapidly changing agriculture and adjust their financing practices to meet the current needs of farmers and ranchers if they are to maintain leadership.

Continuing, Mr. Welman said that "the Association's Agricultural Commission, under the chairmanship of Harry W. Schaller, president of the Citizens First National Bank, Storm Lake, Iowa, recognizes that competition can provide a healthy stimulus which will contribute to improved bank services. The Commission believes the banking system can adequately meet the legitimate credit needs of farmers and, at the same time, maintain the healthy financial position of this important segment of our national economy.

"The Commission has made a thorough study of this whole competitive situation and recommends that banks place increasing emphasis on—

—gearing repayment programs to  
(CONTINUED ON PAGE 88)



# Government Bond Service...

## WITHOUT DELAY!



**L**OOKING for fast service in Governments? Call the Bond Department at The First National Bank of Chicago!

We maintain a primary market, so under normal conditions we are able to give you an immediate bid or offering. And, because the bank carries a substantial position in Government Issues—including Treasury Bills and Notes—it is in a position to act without delay.

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If you do not already have a correspondent relationship with this bank, why not get in touch with us now? We'll be glad to explain in detail this and many other services available to you. One of our men will call at your convenience.

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MEMBER F. D. I. C.

### The First National Bank of Chicago

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(CONTINUED FROM PAGE 86)

the repayment capacity of farmers,

- having staff people who are agriculturally trained who will help in selling bank services to farmers,
- having a board member with an agricultural background,
- making more extensive and effective use of correspondent and insurance company relationships,
- establishing adequate reserves for bad debts, and
- maintaining adequate bank capital structures to meet the increasing credit needs resulting from the growth in size and mechanization of farm enterprises.

"I trust you will study the situation in your area. Additional information on the Production Credit Associations is available by writing the Agricultural Commission. It also has several publications that will assist you in your agricultural activities."

## Latin Americans Study Agricultural Credit

A GROUP of four Latin American leaders in agricultural credit visited Brookhaven, Miss., recently as a part of a 11-week short course in methods and credit sources in the United States. The course was sponsored by the International Cooperative Administration in cooperation with the U. S. Department of Agriculture and the land grant colleges.

Their objective in Brookhaven was to study and observe private agricultural credit such as is extended by commercial banks and merchants. The banker-students attended meetings of farmers, homemakers, and farm youth groups and visited in several typical farm homes in the area. The agenda included a day-long tour of a completely integrated broiler operation in Copiah County; also, it included an informal explanation of how the Federal Reserve banks serve their members; with special emphasis on agricultural credit. R. M. Stephenson, assistant vice-president, New Orleans Branch, Federal Reserve Bank of Atlanta, went to Brookhaven to meet with the group and led the Reserve System discussion.

S. E. Babington, president, Brookhaven Bank and Trust Company and a member of the A.B.A. Agricultural Commission, was liaison for the group in the Brookhaven area.



President S. E. Babington, *third from right*, explains agricultural credit techniques to a group of Latin Americans during their visit to the Brookhaven (Miss.) Bank and Trust Company. *Left to right*, Vice-president and Cashier F. F. Becker, II; Mr. Noranjo; Mr. Lima; Agnes Colon, interpreter; Mr. Pambo; Mr. Collado; and Horace A. Lake, Fort Lauderdale, Fla., technical leader

Foreign "agricultural cooperative" students visit with Agricultural Credit Department officers of the National Bank and Trust Company, Norwich, N. Y. *Left to right*, Assistant Manager E. P. Barrett; Warren M. O'Hara, technical leader, U. S. Department of Agriculture; Messrs. Unaydin, Golding, Scepanovic, Bubica, and Crespo; Assistant Manager Homer J. Sands; Messrs. Cresser, Redissi, Im-Erb Thama, and M'Sadek; and Vice-president Jamba



The South Americans made a number of stops in the United States and at each a study was made of a specific aspect of farm credit. In Brookhaven, for example, the instruction was devoted entirely to private credit. In Lincoln, Nebr., their next destination, the instruction dealt entirely with the Farmers Home Administration. En route to Washington, where they were given a review of what they had learned in their travels, the visitors studied the Extension Service, Soil Conservation Service, and the Agricultural Stabilization and Conservation Service, with emphasis on the county unit served by each agency. At a stopover in Indianapolis, the bankers learned about the Indiana Farm Bureau Cooperative Association.

The South American visitors included Joaquin Pombo, director,

Credit Department, National Agricultural Credit Bank, Bogota, Columbia; Oscar Martinez Collado, chief, Agricultural Credit Division, National Bank of Costa Rica, San Jose; Jorge Gonzalo Naranjo, head, Technical Department, National Development Bank of Ecuador, Quito; and Francisco Hingino Barbosa Lima, head, Agricultural Information Service, State Department of Agriculture, Recife, Brazil.

## "Agricultural Cooperatives" Studied by Foreign Group

ANOTHER group of foreign agricultural specialists recently spent four months in the United States taking a training course in "Agricultural Cooperatives." Turkey,

(CONTINUED ON PAGE 138)

# ANNOUNCING THE Herbert F. Rawll Memorial Awards Contest

**\$10,000 in Cash Awards for members of Christmas Club at financial institutions using the services of Christmas Club a Corporation**

Forty-eight years ago, the late Herbert F. Rawll, founder of Christmas Club a Corporation, visualized the great possibilities of introducing to our financial institutions millions of people who never before had been inside such institutions, by offering them a method of weekly savings to accumulate money for Christmas.

To perpetuate and enlarge the purposes of its founder, Christmas Club a Corporation periodically conducts its popular prize contests. This year 171 generous cash awards will be given for the best original ideas on the subject: "What I would like to see on the Christmas Club Emblem."

To be eligible, contestants must be members of Christmas Clubs at financial institutions using the systems and services of Christmas Club a Corporation.

**Christmas Club members also need savings programs, loans, safe deposit boxes and financial advice. Through contests of this kind, and heavy promotion at the joining season, Christmas Club a Corporation continues to create customers for all your services.**

**Christmas Club members are your best prospects today — and tomorrow.**



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a Corporation**

*Founded by Herbert F. Rawll*

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**BUILDS CHARACTER, BUILDS SAVINGS, BUILDS BUSINESS FOR FINANCIAL INSTITUTIONS.**

# The Farm Problem

A Factual Discussion to Give a Better Understanding  
of the Problem, and a Summary of Major Alternatives

*This material is a condensation of a report by the Agricultural Commission and the Economic Policy Commission of the American Bankers Association on "The Farm Problem." Reprints of this condensation are available free of charge in limited quantities from either Commission. This material will be useful for distribution to bank customers, farm leaders, and others.*

*The full report, printed in a 6" x 9" booklet, is also available from either Commission at 12 East 36th Street, New York 16, N. Y. Single copies are priced at 25 cents each. Quantity prices will be quoted upon request.*

THE problem with which this report deals is that of farm prices and income and its purpose is to contribute to an understanding of that problem, not to present or advocate a specific plan of attack on it.

While farms are small businesses in comparison with the units typical of many other lines, the term "farm" as commonly used includes a wide range. In fact, the majority of farms produce little or nothing for market. Of the 4,800,000 farms counted by the 1954 census, a little over 2,000,000 or 44% of all farms, provided 91% of the sales. Even though referred to as "commercial," another 26% of the farms accounted for only 7% of the sales, while the 30% which are part-time or residential units supplied only 2% of products on the market. The 44% include the commercial farms primarily concerned with market prices. These are the farms affected by Government price programs. Practically all of these farms are family units operated by an individual and his family. Only 134,000 farms had gross sales of over \$25,000 in 1954 and indications are that the larger share of these were operated by individuals.

The small unit affects the relationship of the farmer to his market. He has no inducement to cut production to maintain or improve price. In consequence, farm prices respond quickly and decidedly to surpluses or depressed demand. Food

is destined for a container with an average capacity of 40 fluid ounces—the human stomach. There is relatively little stretch in that container, so food consumption is remarkably stable. People must eat to live, so price responds to any shortage. It responds likewise to surpluses, because consumers do not eat more merely because supplies are overabundant. The margin between shortage and surplus is a narrow one.

## Government Attempts Adjustment Programs

Difficulties of farmers in coping with price-depressing surpluses and in making downward adjustments in overall output are an important reason for Government farm programs. The situation in the 1920s led to a variety of proposals. The first formal program seeking to raise prices was the creation of the Federal Farm Board in 1929. Its equipment to "stabilize" farm prices was entirely inadequate for the serious depression period which followed, so it gave way in 1933 to the agricultural adjustment program. This inaugurated price supports for some products based on the parity formula. Parity is a ratio between an index of prices received by farmers and one of prices they pay with the base period of 1910-14 representing 100. The Commodity Credit Corporation (CCC) was established to make price-supporting loans and purchases of specified commodities. While the program endeavored to

adjust output downward, its efforts on this score were not too effective; so considerable stocks of such products as wheat and cotton accumulated in the hands of the CCC even at the 52 to 75% supports of the 1930s.

World War II brought new demands into the market and most farm prices soon rose well above support levels. Supports no longer were needed to raise prices, so the objective of the program was changed for the war period and two years beyond to providing floors under prices to encourage production. Supports were raised to 90% of parity on a number of commodities to this end. After the war, Congress postponed the return to variable and lower supports several times and changed the range on "basics" (wheat, cotton, corn, rice, peanuts, and tobacco) first from its prewar 52 to 75% to 60 to 90% range and then to 75 to 90%. Efforts to continue the 90% level have persisted.

## Surplus Stocks Have Been Burdensome

Some farm surpluses were returning by 1948 and 1949, but the outbreak in Korea overcame much of this temporarily. Beginning in 1952 there was a decided build-up of surplus stocks, reaching a total investment in holdings and loans on products of the CCC of over \$8¼-billion in 1956. A vigorous export disposal program has reduced stocks moderately, but the total is still over \$7-billion. The reported "realized cost" of the program for fiscal 1957 was about \$3¼-billion. Final costs cannot be determined until stocks have been disposed of.

Farm output continues at or near record levels in spite of the adjustment program. Carry-over of war-induced expansion is a factor, but the main one is the very decided increase in productivity resulting from mechanization and the adoption of new and improved technology and practices. Price supports at incen-



tive levels have not discouraged output. Acreage allotments on basic crops have been largely offset by increased yields. Land diverted from these crops has been shifted to other crops and this has played an important part in the build-up of stocks of feed grains. The Soil Bank program which owes its existence to surpluses has not been markedly effective to date.

Vigorous efforts have been and are being put forth to dispose of stocks. On the domestic front, school milk and lunch programs and relief distribution are being used. These cannot be expanded indefinitely without encroachment on regular markets.

Population growth is expanding the farm market and urban, highway, and industrial uses are encroaching on farm lands. However, indications are that increasing productivity will hold its own and perhaps more for a period of years ahead. Opportunities for expanding the use of farm products in industry depend on finding uses which will be self-supporting and yield acceptable returns to farmers.

### Exports Pose Problem

Exports have received and are receiving major attention. Public Law 480, 83rd Congress, permitting sales of foreign currencies to countries lacking dollar exchange and donations to countries lacking means, is playing an important role. Exports of wheat under the International Wheat agreement, of cotton under Congressional directive, and of other commodities are being made at prices well below domestic levels.

Export possibilities are by no means unlimited. If such disposal interferes with regular exports, it becomes self-defeating. Encroachment on the markets of friendly nations also needs to be avoided. Subsidized exports, sales for foreign currencies, and donations involve costs to American taxpayers, a consideration of some importance in view of the large Federal budget and deficits. If the foreign currencies received for farm products are used for defense or other expenditures in the issuing nation for which dollars otherwise would be employed, no addition to total trade results. The same applies to barter. If we use farm products in place of dollars in buying things we want, trade is not increased. If we accept in return

things we do not want, we merely transfer carrying costs and losses to these products. It still remains that the only really effective way of expanding exports lies in accepting imports in return.

It is being increasingly recognized that programs to raise prices necessarily call for effective control over the amounts produced or sold. Not so generally understood is that this involves determination of who shall share in the restricted sales and in what amounts. One contention enjoying considerable popularity is that Government is under obligation to provide farmers with "bargaining power" to offset that which others are assumed to have rather generally.

Some carry this to the extreme of suggesting that Government treat agriculture as though it were a public utility and fix prices to yield a given rate or return. What is not emphasized by proponents of these ideas is that rights of entry into farming would have to be restricted if individual farmers are to gain.

### Adjustments in Land and People Needed

The stocks held by CCC, the costs of carrying them, and losses in disposal or through deterioration are dramatic evidence of a need for adjusting capacity to produce in some overextended lines, particularly wheat and cotton. The production factors involved are mainly people and land. Some land should be shifted out of farm use and some more should be changed to less intensive uses. Farm people with better opportunities elsewhere should be helped rather than hindered to take advantage of them. Migration of farm people and consolidation of farms into larger units are part of the adjustment to changing agriculture.

Many farms are below efficient size today. The consolidated farms remain as family farms. In fact, the dependence on hired farm workers continues downward instead of increasing.

The use of public funds in aiding productive capacity to adjust is justified by the interests of the public in a sound agriculture. The public, however, is well within its rights in insisting that real results be obtained for the funds spent for adjustment. This requires that adjustment programs be highly selective so

that the adjustment takes place for those crops, in those areas, on those farms, and by those farmers where it should be made. To avoid having the public bid against itself in this program, gradual lowering of price supports should take place as adjustment is achieved.

The most serious low-income problems are found among the farm people not producing importantly for market. Their problems call for an entirely different approach. They should not be confused with the price- and -income problems with which this report is concerned.

### Major Alternatives

As indicated at the outset, the aim of this report is to focus attention on the more important aspects of the farm-price-and-income problem, not to present a specific program. The following summary review of major alternatives is presented as an aid to bankers and others in formulating their own ideas with respect to the requirements of a desirable farm program:

(1) Discontinue Government price supports and acquisition of farm products, leaving the pricing and disposal job to the farmers and the market. This would put reliance on competitive forces to bring capacity to produce into line with available markets by driving out excess capacity. Market chaos could be expected for a considerable period in the case of commodities of which burdensome stocks have accumulated. There is nothing to indicate that any considerable segment of the public stands ready to accept this as a desirable solution.

(2) Muddle along as we have been doing in the hope that the situation will right itself, either by an adjustment of production or a sufficient growth in the market to absorb the supplies, eventually relieving the Government of major responsibility for acquiring and disposing of supplies. One of the difficulties arising from this is that the results may prolong and increase the difficulties instead of providing a positive remedy. An opportune time for discontinuing operations may never arrive.

(3) Maintain or even raise present price supports and related programs and expand them to farm products generally as a long-run governmental function. Really effective controls of

(CONTINUED ON PAGE 109)

# Contract Farming--Implications to Banking

**700 bankers, representing all major agricultural areas of the country, participated in this A.B.A. study, which shows that, currently, no more than 5% of all farming and ranching is under contract at any one time**

**C**ONTRACT farming is largely a result of increasingly higher capital and credit needs of farmers, severe price and weather risks, extreme competition among individual farmers, and competition among sellers to and buyers from farmers rather than a cause of the major changes in the farm economy of the country, according to the Agricultural Commission of the American Bankers Association. The Commission, of which Harry W. Schaller, president, The Citizens First National Bank, Storm Lake, Iowa, is chairman, has just completed a nationwide study on the subject to provide banks with information as to the extent and possible growth of contract farming in the United States and its effects on bank credit policies and procedures. The title of this 12-page study is *Contract Farming—Implications to Banking*.

## Farmer-Supplier Coordination

Vertical integration, contract farming, and coordination mean more or less the same thing, the study points out. They refer to various types of closer coordination between farmers or ranchers and farm suppliers and farm commodity processors or marketers. The practice is not new. Vegetables and sugar beets, for example, have been produced under contract between farmers and processors for generations. The modern broiler industry is a more recent example. In addition to processors, other farm-related industries including hatcheries, feed manufacturers, poultry processors, retail food distributors, and other farm-related businesses saw an opportunity for profit by providing consumers with uniform, high-quality, low-cost meats. More recently, parts of the livestock industry have been integrated.

Seven hundred bankers represent-

ing all of the major agricultural areas of the country participated in the A.B.A. study, which shows that, currently, no more than 5% of all farming and ranching is under contract at any one time. Contract farming appears to be increasing gradually in this country, but it is not expected that it will proceed as rapidly in other categories as it has in the broiler, sugar beet, and vegetable businesses.

## Changing Farm Credit Needs

The study shows that contract farming has been associated with several factors which are changing farm credit needs. It is pointed out that farming is a high-risk business, being subject to sharp price and weather fluctuations beyond farmers' control. Farm products go to a market which wants a specific supply. If supplies are too great, prices tend to go down sharply. When

they are short, prices increase. Contract farming usually places a more uniform supply on the market, with the contractors absorbing some of the shock by price or income guarantees to farmers.

Farms and ranches are becoming larger and more highly mechanized, with total assets in agricultural businesses in 1957 averaging \$29,300 per worker. Contract farming provides a source of additional capital and credit for farmers, which helps many of them increase production and income by carrying on a larger business.

## Broilers and Turkeys Raised Under Contract

Contract broiler production is extensively practiced in the Del-Mar-Va area, Georgia, Arkansas, New England, Pacific Coast states, North Carolina, Alabama, Mississippi, and Texas. About 90% of all broilers and 50% of all turkeys are produced under contract. Compared with broilers, laying flocks are more widely distributed and more recently integrated. It is estimated that less than 5% to as high as 20% of all eggs marketed at retail come from one of several types of contract farming.

Sugar beets are extensively grown under contract in California, Michigan, Minnesota, Ohio, and most states of the Northwest. Vegetable contracts tend to be concentrated near cities, canning centers, and in specialized vegetable areas such as California.

## Contract Livestock Production

Contract livestock production has recently attracted the attention of farmers, farm-related businessmen, and others. The study shows that an increasing number of farmers and ranchers are entering into some

(CONTINUED ON PAGE 94)

Cover page of the new A.B.A. study





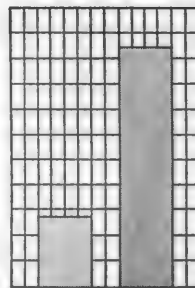
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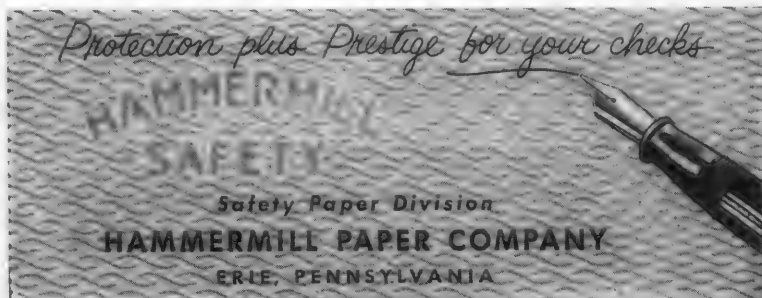
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(CONTINUED FROM PAGE 92)

type of coordination of the various stages of meat production. It is estimated that 10% to 20% of all fed cattle slaughtered, one-fourth of all lamb and mutton produced, and under 10% of the hogs being processed have been in some type of integrated unit during one or more phases of production.

Although contract farming is a common practice, certain factors keep it from spreading more rapidly, the study shows. With some enterprises integrated under strong centralized control, it is difficult to attain good on-the-spot judgment and careful detailed supervision. Also seasonal biological factors do not always lend themselves to an 8-hour day, factory-type operation. It is pointed out that one or two additional pigs saved per litter at midnight farrowings by independent interested producers can mean the difference between profit and loss. Economic factors, such as readily available credit for progressive farmers, also tend to restrict the growth of contract farming.

### Exact Impact of Contract Farming Not Clear

The exact impact of contract farming on agriculture is not clear. Many bankers in the broiler-producing areas believe contracts help farmers attain higher incomes and carry on larger businesses at less risk. Without being fully aware of the change, the public has readily accepted (CONTINUED ON PAGE 96)

"Yes, he worked his way through college, but none of the college worked its way through him!"







# QUIET

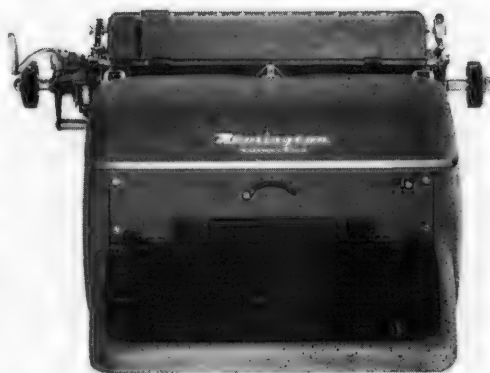
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(CONTINUED FROM PAGE 94)

broiler, turkey, and other farm products raised under contract farming. Housewives now purchase an average of 60% more broilers than they did 40 years ago in response to the high-quality, low-cost meat available. Likewise, green vegetables are being consumed in larger quantities. As a consequence, diets and health have improved.

The advances of contract farming nationally may not require basic changes in the banking system beyond those needed to serve larger farms and ranches. Contract farm and ranch operations tend to be larger and require more capital than completely independent units. Therefore, loans needed are usually much larger than those of independent farmers. Reflecting loan size and bank locations, credit demands tend to shift to the bank serving the contracting institution.

#### **"Integrator" Loan Risks Reduced**

Loan risk tends to be reduced when a bank lends to an integrator representing a group of farm customers. The risk is spread over a larger base of farmers' assets and earnings plus the integrator's assets and earnings. Loan risk is also reduced on direct loans to farmers with contracts assuring prices to be received for crops and livestock sold. The loan repayment capacity is increased by improved management and larger integrated units. Consequently, risk is reduced.

In order to meet situations which may result from the advance of integrated farming, the A.B.A. is urging banks serving rural areas to improve their capital strength, to enter into closer loan participation relationships with correspondent banks, and to have one or more agriculturally trained officers. These steps will help handle larger lines of credit to farmers and farm-related businessmen.

Copies of *Contract Farming—Implications to Banking* are available to member banks, free of charge, upon written request to the Agricultural Commission, American Bankers Association, 12 E. 36th Street, New York 16, N. Y.

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*A prompt person is also patient,  
and he gets that way by waiting  
for those who are not prompt.*

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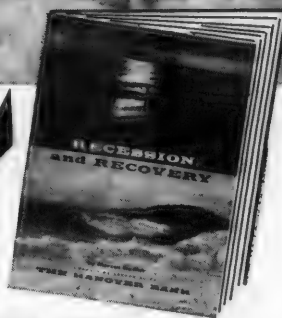


# RECESSION and RECOVERY

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# Secretary Benson Among Speakers at National Agricultural Credit Conference

**S**ECRETARY OF AGRICULTURE Ezra Taft Benson heads the list of outstanding bankers, businessmen, educators, and Government officials who will speak at the Seventh National Agricultural Credit Conference of the American Bankers Association this fall.

The conference, sponsored by the Agricultural Commission of the A.B.A., will be held at the Sheraton-Fontenelle Hotel in Omaha, Nebr., November 17 and 18. The program was announced by Harry W. Schaller, chairman of the Agricultural Commission and president of the Citizens First National Bank of Storm Lake, Iowa.

Among the speakers, in addition to Secretary Benson, will be Frederick L. Deming, president of the Federal Reserve Bank of Minneapolis; Dr. Tyrus R. Timm, head of the Department of Agricultural Economics and Sociology at Texas A. and M. College; Dr. Earl L. Butz, dean of the School of Agriculture at Purdue University; W. E. McGuirk, Jr., president of the Davison Chemical Company of Baltimore; O. V. Wells, administrator of the Agricultural Marketing Service of the U. S. Department of Agriculture; and Harold W. Anway, an officer of the farm mortgage department of the Mutual Life Insurance Company of New York.

Registration forms may be ob-



Left—  
Ezra Taft Benson



Right—  
Harry W. Schaller

tained from the Agricultural Commission, American Bankers Association, 12 East 36th Street, New York 16, N. Y.

The program:

## Morning Session

*Monday, November 17—9:30*

Presiding, Mr. Schaller.

"Monetary Policy as It Affects Farm Lending" by Mr. Deming.

"New Developments in Agriculture" by Dr. W. V. Lambert, dean, College of Agriculture, University of Nebraska, Lincoln.

"Providing a Full Credit Service for Agriculture"—Panel moderated by Otto Kotouc, Jr., president, Home State Bank, Humboldt, Nebr. Panel members: Harold W. Anway, second vice-president for farm mortgages, The Mutual Life Insurance Company of New York, New York, N. Y.; T. P. Axton, president La-

fayette (Ind.) Savings Bank; Douglas F. Graves, assistant vice-president, Chicago National Bank; Frank P. Powers, president, Kanabec State Bank, Mora, Minn.; and Rex B. Stratton, assistant vice-president, Security Trust & Savings Bank, Billings, Mont.

## Afternoon Session

*Monday, November 17—2*

Presiding, S. E. Babington, president, Brookhaven (Miss.) Bank and Trust Company.

"Vertical Integration in Agriculture" by Dr. Timm.

## Bull Sessions

*3 P.M.*

"Meeting Credit Requirements of Agriculture"—

Leaders: W. B. Denton, executive

(CONTINUED ON PAGE 100)

F. L. Deming



Earl L. Butz



W. E. McGuirk, Jr.



O. V. Wells





*business  
and financial  
conditions . . .  
a reasoned  
analysis*

## **Business and Financial Conditions**

**October . . . . 1958**

*your bank imprint here*

*reprinted from* **The GUARANTY SURVEY**  
*published monthly by*  
**GUARANTY TRUST COMPANY OF NEW YORK**

Each month, The Guaranty Survey includes a well-reasoned and highly readable review, titled Business and Financial Conditions.

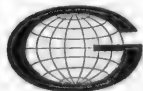
This informed presentation and analysis of current economic developments and factors is now made available in reprint form, for distribution over the signature of your bank.

Many of your clients, corporate or personal, may well find the monthly copy of Business and Financial Conditions you send them to be of value in reaching sound decisions in business matters. For complete details we invite you to write us.

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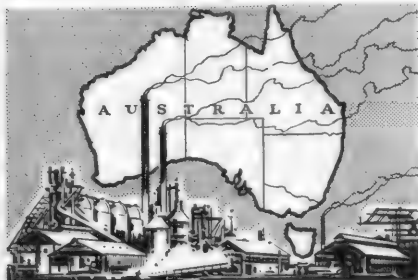


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ESTABLISHED 1817

Head Office: Sydney, Australia

International Division — John W. McEwen, Manager.

## THE BANK CHECK SPEAKS

We think of a mechanized check handling system as something made up of dependable components working together to provide improved processing. The bank check might not be considered a component in the true sense of the word, but perhaps the part it plays is even more important because it is the document that tells the system what to do.

The flight of the check through the system is indeed very fast, and therefore it must be moved accurately if it is to provide the spark that activates the machinery. We believe, therefore, that it should be readied for processing by top-notch check makers. Tight controls will certainly have to be maintained in the printing establishment that produces the check, and we are happy to say that we have such controls in our nine plants.

Quite aside from observing good

production controls, we are most anxious to preserve the appearance of bank checks so that the public will be willing to continue to pay for them. Consequently, as we approach the task of redesigning check styles to provide room for electronic scanning, we are focusing on well-balanced format that will retain the sales appeal our checks now have. We do not think the magnetic ink characters will have any adverse effect on our merchandising program.

To banks who are desirous of retaining the bulk of the savings promised by mechanized handling, we offer our sales programs which are designed to recover check costs. Our sales staff is well informed on proved procedure and is available at all times for discussion. If your bank has not as yet engaged in such a program, this is the time to start.



### Manufacturing Plants at:

CLIFTON, PAOLI, CLEVELAND, INDIANAPOLIS, CHICAGO,  
KANSAS CITY, ST. PAUL, DALLAS, CHATSWORTH

(CONTINUED FROM PAGE 98)  
vice-president, Planters Bank, Sikeston, Mo.; George C. Dudley, assistant vice-president, First National Bank, Kansas City; Cecil H. Eberle, farm service representative, The Kansas State Bank, Newton; Don E. Foster, assistant vice-president, First National Bank, Greeley, Colo.; Warren Garst, vice-president, Home State Bank, Jefferson, Iowa; C. Richard Kellum, assistant cashier, The Indiana National Bank, Indianapolis; Lawrence F. Lamberty, agricultural representative, The Northwestern National Bank, Rochester, Minn.; Stanley D. Morrill, assistant cashier, The National Bank of South Dakota, Sioux Falls; W. W. Phillips, Jr., head, Agricultural Department, National Bank of Commerce, Pine Bluff, Ark.; and Harris J. Sorensen, vice-president and cashier, The Wahpeton (N. Dak.) National Bank.

### Evening Session

Social Hour: Guests of Omaha Bankers Association — 5:30-6:30; Dinner—6:30.

Presiding, Chairman Schaller.  
"Change or Be Churned" by Dr. Butz.

### Morning Session

Tuesday, November 18—9 A.M.

Presiding, John H. Crocker, president, The Citizens National Bank, Decatur Ill.

"Economics of Agricultural Chemicals" by Mr. McGuirk.

"What's in Line for '59?" by Mr. Wells.

"What's Ahead for Livestock?"—Panel moderated by William E. Drenner, president, The City National Bank, Fort Smith, Ark. Panel members: Leonard N. Burch, president, The First National Bank, Greeley, Colo.; Marvin J. Hankins, farmer, Stanton, Nebr.; Dr. Leslie E. Johnson, head, Animal Husbandry Department, Iowa State College, Ames; and J. A. Rohwer, president, Farmers State Bank, Schleswig, Iowa.

### Luncheon

12:30 P.M.

Presiding, Chairman Schaller.  
Address by the Honorable Ezra Taft Benson, Secretary of Agriculture, Washington, D. C.

It's not very difficult to start at the bottom and stay there.

# Britain's Wage Price Spiral

F. BRADSHAW MAKIN

SINCE the end of World War II Britain has experienced almost uninterrupted inflation. She is not alone in this respect, but it does cause one to ponder on the future when it is realized that the continued fall in the value of money has been going on for 12 years without any real intermission. Most thinking people agree that inflation is harmful, but there is little agreement on the steps to be taken as a deterrent. In the early days of the postwar boom, monetary controls were considered to be outmoded. Physical controls, directives, and edicts of various kinds were much in favor. The Socialists in particular were convinced that monetary measures could not prove effective, and, even today, many left-wing politicians would welcome the opportunity to re-establish a bureaucratic system of permits, controls, and "Jack in Office" authoritarianism.

## First, Postwar Demand

Initially after the war the inflation was a demand-created inflation. There was a large pent-up demand for goods and services, both of which were in short supply. Capital goods and consumables were being demanded far in excess of the country's production capacity. This demand was effective and supported by the highly liquid state of companies and individuals. The position arose where inflation developed, because, in the words of the time, "too much money was chasing too few goods." Two schools of thought existed on how to deal with the situation. The left-wingers advocated a rationing of goods by a control system, with particular emphasis on capital expenditure. The right wingers said, "Set the people free and let the price mechanism operate."

In 1951 the Conservatives came into power, and they announced their intention to curb inflationary pressure by the use of monetary means designed to establish a rela-

tionship between the expenditure on capital development and the volume of new savings out of which such expenditure could be met. This new approach to the problem met with considerable success on the face of it, and, for a while, there was reasonable stability. As time went on it became clear that the apparent success was largely due to external causes and that the new measures were inadequate in so far as they were unable to keep the rise in wages within the limits of increased output.

In brief the inflation was no longer a true demand one but was becoming a cost-induced inflation. This course of events is almost inevitable in the absence of a strong policy. The demand inflation causes prices to rise, with the result that organized labor then demands increased pay. Speaking generally, during a period of rising prices increased profits are made, and the tendency of the employer is to grant wage increases, as it is felt that they can be afforded or recouped from the consumer. It must be remembered that the British economy was stretched to the limit. There were more jobs than working people, and employers were afraid of losing any part of their labor force. Trade Union officials quickly saw that they were in a strong position to exert pressure on the employer, and was that pressure exerted!

At this stage Britain really entered the field of wage-induced inflation.

## Monetary Controls Intensified

Monetary controls were intensified, and for a time the economy slowed down. By the spring of 1957 it became clear that the monetary measures alone were losing their effect and that prices were rising again due to the upward trend of wage rates. In addition to the internal inflationary pressure, a worsening of the external position was

also evident and there was talk of a flight from sterling.

Speedy action was imperative, and a further tightening of the monetary controls was announced. At the same time the authorities made it quite clear that a halt must be called to the recurrent increases in wages. The latest measures on the face of things have achieved some success, but it must be realized that the improvement in the economy has resulted from a deliberately forced slowing down and by a fortuitous gain resultant from the fall in import prices. In the absence of further action, the wage standstill will soon be broken and followed by a spate of demands for wage increases.

Britain cannot achieve stability by an enforced holding down of her economy. It must be allowed to expand, but in a sound and healthy fashion. It is apparent that monetary means alone cannot prevent wages rising faster than output. Some method of regulating general wage rates to production is urgently needed. It must be made perfectly clear that improved standards can only come out of increased production.

## Recent Forward Step

Monetary measures designed not to run down the economy, but to permit it to expand in an orderly fashion, are also required. A recent move on the part of the Bank of England, whereby the joint stock banks' liquidity can be controlled and their ability to create credit thereby restricted, is a step in the right direction.

Faith in the value of money must be re-established. Savings, out of which capital development is to be financed will only be forthcoming when the people are convinced that the trend of prices will not be forever upward and that their savings will not fall in value year by year. If faith in the stability of money is assured, savings will grow, money will flow into fixed interest securities and much of the floating debt could be funded and so help to reduce the supply of excess money. There is a psychological aspect to the problem. High interest rates do not today induce new savings, because people feel that the interest earned will be less than the capital loss suffered on repayment. The only way to induce savings is to make money worth holding instead of spending.

# BANKING NEWS

## Automatic Re-Presentation of Unpaid Items Is Practice Best Left to Discretion of Individual Banks, Says A.B.A.

Automatic re-presentation of unpaid items is a practice best left to the discretion of the individual bank, according to the Bank Management Commission of the A.B.A., since such action must be "based on its consideration of the merits of the plan and the risks involved." For those practicing automatic re-presentation, the Commission recommends use of a rubber stamp which would put all parties on notice that a check has been presented a second time, thus avoiding duplication of this action. The recommended stamp would show that the check was presented twice, date, A.B.A. number.

### Presentation Without Notice

In a letter to the A.B.A. membership, the Commission notes that an increasing number of banks, particularly in large cities, "have adopted the practice of automatically representing for payment checks which have been returned to them because of insufficient funds or uncollected funds. Generally speaking, the procedure applies only to items of less than \$50, and the second presentation is made without notice to endorsers.

"The proponents of the plan stress the fact that a substantial percentage of such items are paid on the second presentation and also the added advantage of a reduction of clerical detail work in the processing of unpaid items. They feel that in most cases they are anticipating the wishes of their depositors.

"The opponents of the plan question the propriety of such a procedure and are concerned with the fact that prior endorsers are released for liability when an item is presented a second time without notice to them. A few banks have reported small losses as a result of depositors refusing to accept late charge-backs."

The Commission's letter, which is signed by Harold E. Randall, chairman of the Commission and vice-president and comptroller of the First National Bank of Boston, notes further that "the practice of re-presentation has caused some problems, however, on those occasions where more than one bank in the collection chain automatically represents the same item. This causes considerable delay if the item is subsequently returned to the depositor."

## "Your Career in Banking" Series of 12 Articles Is Being Reissued in Booklet

The popular series of 12 articles entitled *Your Career in Banking*, by Leslie Waller, which has appeared in *BANKING* since December 1957 (November article will be "Making a Career Out of a Job") is being re-published in 6" x 9" booklet, according to Robert R. Spooner, circulation manager of the magazine.

A recent survey to measure *BANKING*'s readership showed that these articles placed highest in "helpful" interest of all non-regular features.

In a special employee subscription offer to banks to be made shortly after October 1, one copy of *Your*

*Career in Banking* will be given as a premium for each subscription in groups of three or more. In cases where banks already have a group employee subscription plan in operation, a premium copy of this booklet will be given with each new subscription.

According to Mr. Spooner, the first issue of *BANKING* to be mailed under this new special 12-month offer will be December 1958.

"This reduced rate will bring employee-readers 12 months of practical, down-to-earth ideas they can adapt in their jobs to improve efficiency, make friends, and perform a better service for customers," said Mr. Spooner. He points out that "more and more space in being earmarked in *BANKING* for articles designed to help young people become the bank leaders of the future."

## Plan Protection in Advance of a Holdup, Insurance and Protective Comm. Urges

### 4-Point Program Suggests Sound Protective Measures to Be Taken

Shooting it out with gunmen during a bank holdup should be left to police, vigilantes, or employees specially trained, according to the Insurance and Protective Committee of the American Bankers Association. The Committee, however, urges that every bank have a protective plan which can be put into effect immediately in the event of a holdup.

In the current September issue of its *Protective Bulletin*, the A.B.A. Committee says: "Employment of an armed guard should not be considered a displacement of the training of personnel. One guard cannot be on duty every minute the bank is open for business. Robbers plan their attacks to circumvent visible armed resistance.

### Committee's Program

The committee suggests a 4-point program as a part of a protection plan:

"Lesson One in personnel training should deal with mental preparation for attack. It is only human to become excited by an unexpected situation in which persons are at the mercy of one or more 'trigger happy' gunmen.

"Lesson Two might well be assigned to a study of the bank's protective equipment. Drills in its use should be carried out periodically.

"Lesson Three ought to deal with details of identification and the importance of obtaining a complete description of one robber in preference to generalities on several in the gang. Each bank witness should be required to write his description of one or more of the bandits so that he will not be influenced by the descriptions given by others.

Lesson Four may be devoted to the subject, 'What do do after a holdup.' There is a real feeling of satisfaction to bank management to be able to report after a holdup that every one among its personnel did his or her job according to plan."



## Mid-Continent Trust Conference Program Will Emphasize Business Conditions and Trust Management Relationships

Nationally known leaders in the fields of business, education, banking, and law will address trustmen from 19 midwestern states when they meet in St. Louis, Mo., November 6 and 7, for the 27th Mid-Continent Trust Conference sponsored by the Trust Division of the American Bankers Association. The advance program for the 2-day meeting, at which trustmen of St. Louis will be hosts, was announced by Walter Kennedy, president of The First National Bank of Montgomery, Ala., before retiring as Division president.

The Mid-Continent Trust Conference traditionally emphasizes the relationship between general business conditions and the administration and operational procedures in the management of trusts. Speeches this year will include a review of the business outlook for 1959 and discussions of such categories as the construction industry, steel, petroleum, and automobiles from the standpoint of investors. Considerable time will also be devoted to management problems in trust departments including the negotiation of charges and new business development. Several speakers will touch on such things as estate planning, drafting of legal instruments, and other important facets of management in relationship with the Bar.

### Dinner and Social Hour

On Thursday evening the conference dinner will be held, preceded by a social hour beginning at 6 P.M. Special guests will include Tom K. Smith, former president of the American Bankers Association, and chairman of the board, The Boatmen's National Bank of St. Louis; and Judge Thomas C. Hennings, a former president of the Trust Division. Dr. R. C. W. Young, former professor of business at Georgia State College of Business Administration, Atlanta, will speak on "Our American Heritage."

For wives of the trustmen, an entertainment program is planned for Thursday, November 6, which will include a tour of points of interest in St. Louis or a matinee at the Ambassador Theatre. On Friday, November 7, the ladies will be en-

tertained at a luncheon at the St. Louis Women's Club, to be followed by cards or a visit to the midtown shopping area.

The advance program follows:

### First Session

*Thursday, November 6, 9:45 A.M.*

Presiding, Joseph H. Wolfe, deputy manager and secretary of the Trust Division, American Bankers Association, New York, N. Y.

Invocation by Dr. Edwin T. Dahlberg, president, National Council of Churches of Christ in U.S.A.

Welcome by William A. McDonnell, president, United States Chamber of Commerce; chairman, First National Bank in St. Louis.

"Pension and Profit-Sharing Plans," by Carlysle A. Bethel, president, Trust Division, A.B.A.; vice-chairman of the board and senior trust officer, Wachovia Bank and Trust Company, Winston-Salem, N. C.

"Getting the Most Out of Businesses in Trust, Case Histories," by Clarence D. Cowdery, chairman, Trust Division Committee on Handling Businesses in Trust; vice-president, The Boatmen's National Bank of St. Louis.

Robert J. Stiehl, Sr., assistant advertising manager of BANKING and director of Educational Displays, received this merit award from the Exhibitors Advisory Council and Show for Shows. This recognition was given for the "clarity, informativeness, and design" of a brochure promoting the Association's 1958 display program

### Award of Excellence

*The Awards Committee of the 1958 Exhibitors Advisory Council Clinic and Show for Shows has chosen, as outstanding in clarity, informativeness and design, the brochure covering:*

*Show: American Bankers Assoc. (Educational Displays)*

*Show Manager: Robert J. Stiehl*

*Sponsor: American Bankers Association*

EXHIBITORS ADVISORY COUNCIL  
SHOW FOR SHOWS  
AWARDS COMMITTEE

*Ronald McCreary*



## Pennsylvania BA Holds Fall Meeting Nov. 12-14

The Pennsylvania Bankers Association will hold its first Fall Meeting in Philadelphia, November 12-14. Chairman is Harold W. Wallgren, vice-president and cashier, The Philadelphia National Bank.

The program will cover personnel training, bank operations, lending, investments, and public relations. The meeting replaces the 1- and 2-day educational conferences, clinics, and forums previously scheduled by PBA throughout the year.

"Estate Planning," by Henry C. Lowenhaupt, attorney, Lowenhaupt, Mattingly, Chasnoff, Freeman & Holland, St. Louis.

### Second Session

*Thursday, November 6, 2 P.M.*

Presiding, Hugh M. F. Lewis, president, Corporate Fiduciaries Association of St. Louis; vice-president, The Boatmen's National Bank of St. Louis.

"The Current Business Outlook for 1959," by Ross M. Trump, dean, School of Business and Public Administration, Washington University, St. Louis.

"Growth Stocks for 1959," by Arthur J. O'Hara, vice-president, The Northern Trust Company, Chicago, Ill.

Panel on "Investments" — Mr. O'Hara, leader.

Panel members and their topics: "The Construction Industry," by Roland C. Mehrens, senior vice-president, St. Louis Union Trust Co.; "The Steel Industry," by Albert W. Winter, trust officer, Mercantile Trust Company, St. Louis; "The Oil Industry," by William Pagenstecher, vice-president, The Boatmen's National Bank of St. Louis; and "The Auto Industry," by Wayne R. Bennett, vice-president, Continental Illinois National Bank and Trust Company of Chicago.

*Social Period 6 P.M.—Dinner 7 P.M. Ball Room—Statler Hotel*

Toastmaster, Joseph W. White, former president, Trust Division, A.B.A.; vice-president, Mercantile Trust Company, St. Louis.

Special guests: Tom K. Smith, former president, A.B.A.; chairman of the board, The Boatmen's National Bank of St. Louis.

(CONTINUED ON PAGE 104)

## A.B.A. Publications Are Offered to Members at Special Subscription Rates for Teachers and College Libraries

Two special subscription offers to strengthen and expand the educational activities of the American Bankers Association are under way, according to a letter sent to member banks by immediate past President Joseph C. Welman.

Special offer "A" enables banks to subscribe to *BANKING*, Journal of the American Bankers Association, for four or more teachers and college libraries at a reduced subscription rate, while special offer "B" enables banks to order a package of four A.B.A. publications for selected teachers of money and banking and college libraries.

In his letter to the membership, Mr. Welman pointed out that "many banks now donate subscriptions to *BANKING* Magazine to libraries and teachers of money and banking. Some have supplemented these with gifts of other A.B.A. publications."

He emphasized that "there is a crying need to do much more along these lines," stating that "wider distribution of A.B.A. publications to educators can result in a better understanding of banks and more effective teaching of financial subjects in our colleges."

### Teachers Are Influential

Mr. Welman said that "college teachers are an extremely influential group; they are molders of general public opinion, as well as of students' attitudes toward our economic institutions. Our relationships with them are of tremendous importance.

"I know of no more effective way to cultivate teachers' goodwill than to provide them with materials they can use in their work. The Association is already supplying some of its less costly publications direct to teachers on a gift basis and plans to do more of this in future as our budget permits."

Mr. Welman added:

"I believe, however, that individual banks can, and should, play a significant role in this program by donating publications to teachers and college libraries in their own areas. By doing this, banks can establish closer contact with local educators. Based on past experience, I believe most banks will welcome the opportunity to cooperate.

"Let me emphasize that if we are to do a really effective job, we shall need to place A.B.A. publications in the hands of those who do the teaching. I recognize that multiple gifts to teachers will involve an added expense for your bank, but it is undeniably the best way if we really mean business."

Mr. Welman enclosed a set of forms with instructions on how to make up orders for purchase of *BANKING* subscriptions under plan "A" and the other materials.

### Special Offer "B" Publications

The publications included under special offer "B" are—

(1) The set of six *Monetary Studies* prepared by the A.B.A. Economic Policy Commission: "Our Monetary System at Work"; "How Our Reserve Banking System Operates"; "Loans, Investments, and Interest Rates"; "The Effects of Federal Reserve Policies"; "The Effects of Treasury Operations"; and "Basic Issue of Monetary Policy"; (2) *Problems of Commercial Bank Liquidity*—a 64-page technical study also prepared by the Economic Policy Commission; (3) *The Adequacy of a Bank's Capital Funds*—a 27-page brochure prepared by the Research Council, A.B.A.; and (4) *International Financial Developments*—published twice a year by the Association's Advisory Committee on Special Activities.

These special offers are a part of the program of the A.B.A. Council on Banking Education, established within the past year, of which Everett D. Reese, chairman of the board, The Park National Bank of Newark, Ohio, and chairman of the Board of Regents, The Graduate School of Banking, is chairman, and Dr. Murray G. Lee, secretary, Economic Policy Commission, is secretary.

### Convention Report

*The A.B.A.'s 84th Annual Convention convened in Chicago as this issue of BANKING went to press. The highlights of the meeting will be reported in the November issue.*

## Mid-Continent Conference

(CONTINUED FROM PAGE 103)

Bank of St. Louis, and Judge Thomas C. Hennings, former president, Trust Division, A.B.A. Entertainment.

After-dinner speaker: "Our American Heritage," by Dr. R. C. S. Young, lecturer; former professor of business, Georgia State College of Business Administration, Atlanta.

### Third Session

Friday, November 7, 9:15 A.M.

Presiding, Charles G. Young, Jr., member, Executive Committee, Trust Division, A.B.A.; senior vice-president and trust officer, City National Bank & Trust Co., Kansas City.

Invocation by the Reverend Paul C. Reinert, S.J., president, St. Louis University.

"Participation in a Breach of Trust," by Austin W. Scott, professor of law, Harvard Law School, Cambridge, Mass.

"Drafting of Proper Legal Instruments," by Gilbert T. Stephenson, former president, Trust Division, A.B.A., Pendleton, N. C.

"New Business Development," by Ben H. Wooten, president, First National Bank in Dallas.

### Fourth Session

Friday, November 7, 2 P.M.

Presiding, William A. Gauvin, chairman, Committee on Trust Service, Missouri Bankers Association; vice-president and trust officer, Tower Grove Bank & Trust Co., St. Louis.

"Renegotiation of Trust and Agency Fees," by Robert N. Arthur, vice-president, Mercantile Trust Company, St. Louis.

"Problems of the Smaller Trust Company," by Wesley L. Johnson, vice-president and trust officer, Security Mutual Bank and Trust Co., St. Louis.

Panel on "Economies in Operation," moderated by Noel T. Robinson, vice-president and trust officer, Central National Bank and Trust Company, Des Moines, Iowa. Panel members: John M. Carnahan, Jr., trust officer, The Union National Bank, Springfield, Mo.; Hugh S. Hauck, vice-president, The Boatmen's National Bank of St. Louis; Wesley L. Johnson, vice-president and trust officer, Security Mutual Bank and Trust Co., St. Louis; and L. A. Ozment, trust officer, St. Louis Union Trust Co.

## Automated Check Handling to Be Panel Subject at 34th Convention of NABAC in Dallas, Nov. 3-5

A panel report on automation and equipment for check handling will be heard at the 34th annual convention of the National Association of Bank Auditors and Comptrollers at Dallas, November 3-5. The discussion will be led by the chairman of NABAC's research committee, Henry J. Rohlf, vice-president, Mercantile Trust Company, St. Louis.

Each of the 1,500 delegates will have a chance to select convention meetings most helpful to him. Two of these divided program features are scheduled.

An operations meeting will discuss a preparedness program for national emergency, bank experiences with no passbook savings plans, and workable ideas to increase efficiency and customer service in drive-in and motor bank operations.

In the personnel section delegates will hear discussions of auditor-comptroller activity in personnel administration, increasing bank profits

through a practical training program; and the costs of fringe benefits and their effect on banking's position in the labor market.

Another session features audit and accounting, branch banking, and a pictorial review of many practical operations ideas in banks throughout the country.

Other convention topics include: increasing the value of management reports, women in banking, and the Canadian banking system's organization for branch supervision and control.

Among the speakers are Governor J. L. Robertson of the Federal Reserve Board; Ben H. Wooten, president, First National Bank of Dallas; R. L. Thornton, Sr., mayor of Dallas and chairman of the Mercantile National Bank of Dallas; W. E. McLaughlin, assistant general manager, Royal Bank of Canada; and G. Edward Cooper, senior vice-president, Philadelphia National Bank.

## A.B.A. Had 17,603 Members on August 31, Representing 98% of All U. S. Banks and Over 99% of Banking Resources

As thousands of bankers and their wives from every part of the United States gathered in Atlantic City last month for the opening of the 84th Annual Convention of the American Bankers Association, the Association's Organization Committee announced that 17,603 banks and branches are now members of the A.B.A. The report was made by the Committee's chairman, Frank W. Thomas, president, Washington (Ga.) Loan & Banking Company. The figures are as of August 31, the close of the A.B.A. year.

The total membership of 17,603 includes 170 members in foreign countries. It represents a growth in Association membership over the past year of 77 banks and branches. Included are over 98% of the banks in the United States and over 99% of the nation's banking resources.

In 22 states and the District of Columbia, every bank is a member of the A.B.A. The states are: Alabama, Arizona, Arkansas, Colorado, Delaware, Florida, Georgia, Idaho, Louisiana, Maryland, Mississippi,

Montana, Nevada, New Mexico, North Carolina, Oregon, Rhode Island, South Carolina, Vermont, Virginia, Washington, and Wyoming.

The A.B.A. has members in every state in the Union and in Alaska, Hawaii, Puerto Rico, Virgin Islands, Australia, Bermuda, Bolivia, Brazil, Canada, Cuba, England, France, French West Indies, Honduras, India, Japan, Mexico, Philippine Islands, Salvador, Tangier, and Venezuela.

In addition to Mr. Thomas, the Organization Committee is made up of a vice-chairman and regional and state vice-presidents. John W. Kress, executive vice-president, The Howard Savings Institution, Newark, N. J., is vice-chairman. The regional vice-presidents during the past year were A. G. Elam, regional vice-president emeritus, who is president, Southern Commercial & Savings Bank, St. Louis; E. E. Bailey, president, Princeton (W. Va.) Bank & Trust Company; W. Guy Draper, president, First National Bank,

## Discontinuance of Federal Farm Supports Subject of A.I.B.'s Debate Program

"Resolved, That Federal price supports for agriculture should be discontinued," will be the subject for the 1959 national debate program of the American Institute of Banking. The subject was announced by Robert W. Worcester, of the Helena, Mont., branch of the Federal Reserve Bank of Minneapolis, who is chairman of the Institute's National Debate Committee.

The A.I.B.'s annual debate program gets under way within a few weeks as individual chapters throughout the country begin holding qualifying debates. These qualifying debates are the first step in choosing the two teams which will compete in the National Debate Contest for the Jesse H. Jones National Convention Debate Fund prizes, to be held in Philadelphia next June 2 as part of the Institute's annual convention.

The contest in Philadelphia will be the eleventh to utilize the Jesse H. Jones Fund. The Fund was established in 1948 by the late Jesse H. Jones, then chairman of the board of the National Bank of Commerce, Houston, Tex., and a former U. S. Secretary of Commerce, to encourage debating as a part of the A.I.B.'s educational program as a means of training bank people in logical thinking, sound analysis, and the ability to convince others.

Temple, Tex.; John H. Hardwick, vice-president, The Louisville (Ky.) Trust Company; Gordon C. Hunter, president, The Peoples Bank, Roxboro, N. C.; John B. Keeline, president, Central Trust & Savings Bank, Cherokee, Iowa; Frederick R. Knauff, president, Federal Trust Company, Waterville, Maine; O. B. Larsen, president, Pajaro Valley Bank, Watsonville, Calif.; T. C. Pepper, vice-president, First National Bank in Wichita, Kans.; John L. Stauber, president, The Citizens National Bank, Marshfield, Wis.; and Wendell B. Trenchard, president, DeLand (Ill.) State Bank.

J. R. Dunkerley, senior deputy manager of the A.B.A., is secretary, and George H. Gustafson, A.B.A., is assistant secretary.



# • NEWS •

# Instalment Credit

## A.B.A. Credit Survey Points to Business Upswing

**BUSINESS** prospects for the final quarter of 1958 and early 1959 are encouraging, according to reports from all over the nation, says the A.B.A. Instalment Credit Commission.

A general trend toward resumption of consumer buying at the grass-roots level is reflected in reports submitted by the Commission's Advisory Board. These reports also indicate that durable goods inventories of dealers and manufacturers have been liquidated in an orderly manner, making room for movement of new 1959 items now in production.

One of the most promising signs of general recovery is the automobile field, which shows a moderate uptrend in the financing of sales of both new and used cars.

Just a few local situations and seasonal slack in such lines as appliances have been running counter to the upward trend.

### Banks Holding Line

Banks have been holding the line on terms in both direct and indirect automobile transactions, according to the survey. Few maturities seem to have been extended longer than a 36-month period. Pressure for lengthening terms on home improvement loans also seems to have been resisted successfully. Some banks, however, are reported going to 60 months for FHA Title I, reflecting increasing costs in scattered communities and more liberal provisions in the law.

Quarterly, the Commission surveys national trends in instalment credit through its Advisory Board — over 100 bankers representing banks of all sizes in each of the 12 Federal Reserve districts, which check with banks in their own areas.

The figures in the report compiled from the current quarterly survey, according to Carl A. Bimson, chairman of the Commission, and president, Valley National Bank, Phoenix, Ariz., "are important be-

cause they summarize the attitudes of the people who make markets for our national products. The people express their confidence in brightening economic prospects when they are willing to apply for loans to make purchases of consumer durables, home repairs, and personal needs."

"Early last year," Mr. Bimson said, "even before business slackening showed up in production figures, there was a drop in the volume of new instalment credit business. Inventories in the hands of dealers began to back up. The intervening months have been marked by a good consumer debt attitude. Debt liquidation has been most satisfactorily handled, despite pressures of some unemployment."

"The brightening prospects for business are reflected in the growing volume of loans acquired by banks, which in turn results from more optimistic consumer demand," he added.

## Personal Loans Good Ad Bet, Says Canadian Bank

**BANK OF MONTREAL** feels that the personal loan field is probably the best advertising opportunity for merchandising-type bank ads. Ads for this service, said Munro Brown, manager of BofM's public relations department, seem to afford a chance to sell in the most specific way, and also a chance to see the effect of the bank's advertising efforts to a greater extent than in other areas.

This bank has been running a 27-cent loan advertising campaign—

A BofM "27-cent loan" ad

### PERSONAL LOANS

at the Lowest Cost

"MY BANK"



BANK OF MONTREAL

Canada's First Bank

27¢

A MONTH FOR A \$100 LOAN

Repayable in 12 monthly instalments — equal to 6% interest per annum.

See the manager or accountant of your nearest B of M Branch

explaining that a Bank of Montreal personal loan is available at 27 cents a month for a \$100 loan repayable in 12 monthly instalments. The copy seems to be working, since the bank reports customers asking for "27-cent loans."

## Bank Instalment Loans Welcomed by Britons

**BRITONS** seem quite willing to follow enthusiastically in the footsteps of their instalment-paying American cousins, if public response to new loan policies instituted by some big British banks is any indication.

First to start the trend toward easier personal loans, close on the heels of government loosening of credit regulations, was Midland Bank, one of Britain's largest. As of September 1, Midland instituted a personal loan policy offering, right now to depositors only, the privilege of borrowing up to £500 (\$1,400) without security. Terms, patterned on American ones, are monthly payments over periods varying from six months to two years, with a 5% interest charge. Customer response was reported as being so overwhelming that loan officers were kept busy right through their lunch hours.

Previously, the only source for unsecured loans available to the average citizen was the "hire-purchase," or finance companies, at rates ranging from 16% to 24% per year.

## Retail Instalment Accounts Should Bear Charges

"IF a retailer moves into the credit field (by offering instalment terms), he should be compensated for it, but he should understand what he is doing," said L. A. Brumbaugh, vice-president and veteran instalment credit officer, Valley National Bank, Phoenix, Ariz., in a speech prepared for a National Retail Credit Association conference in Los Angeles.

"Without good accounting prac-



tices," he said, "the merchant may find that extending credit has proved a liability rather than an asset."

Discussing carrying charges on installment accounts, he cited a recent survey by NRCA which disclosed that 20% of the retail stores

answering did not charge for credit, few charged for late or delinquent accounts, and some refunded carrying charges when an account is paid in full within 120 days.

"They fear public reaction," Mr. Brumbaugh said. "But further

thought should assure them that there is no stigma attached to reasonable carrying charges."

He said wisely handled carrying charges should not only compensate the merchant for his service, but give him a margin of profit as well.

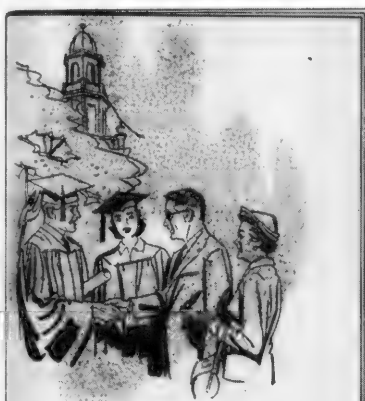
# Savings

## College Education Savings

FOR some months now, members of Group Five Savings Banks Association of the State of New York, Brooklyn, have distributed to bank floor customers wishing it a booklet entitled "How to Send Your Child to College."

Basic material in this publication has been used in a similar booklet prepared by the Savings Banks of

Cover page of the "How to Send Your Child to College" booklet given out to lobby customers by members of Group Five Savings Banks Association of the State of New York



How to  
send your child  
to college



STEPS YOU SHOULD TAKE NOW —  
AND SUGGESTIONS ON SOLVING THE MONEY PROBLEM

Massachusetts. With their permission, this material was adapted and changed to conform to the needs of the people of New York State and their almost 100 local educational institutions.

To stimulate requests for "How to Send Your Child to College," Group Five banks sent out 400,000 copies of a direct mail piece, which included, in addition to sales copy and the bank's signature on the face, a schedule on the reverse side showing the amount necessary for a child's education and the weekly savings deposit required to achieve a specific educational goal of from \$2,000 to \$6,000 over a period of from one to 18 years.

## Officers Use Flannel Board to Sell Savings

A FLANNEL board presentation — "It Pays to Save" — is used by 12 junior officers of the First National Bank of St. Louis in appearances before luncheon clubs, parent-teachers associations, women's groups, church organizations, conventions, and service clubs. It also presents the story of "You and Your Community Bank."

This presentation is designed to show that savings make possible funds for every conceivable family need.

Savings passbooks are enclosed in "special goal" jackets which indicate the objectives of a particular account. These special goal accounts are supported by radio, newspaper, and TV advertising. This promotion has stimulated interest in systematic savings and has attracted a substantial volume of new deposits.

## A Christmas Club Contest

THE National Bank of Commerce

in Lincoln, Nebr., has experimented with a Christmas Savings Club promotion plan which has resulted in considerable new business.

Customers were asked to complete the sentence "I joined the 1958 Bank of Commerce Christmas Club because . . . ." in 25 words or less. First prize was a 1-week trip to Mexico City for two people, with all expenses paid. The next 10 winners each received a \$25 paid-up Christmas Club for 1958.

Bank employees were brought into the contest in this manner: For each new account obtained, the employee was entitled to have his name placed in a container for a later drawing. The oftener his name got into the container, the greater his chances for the top prize. The first two prizes for winners were a high-fidelity phonograph set, and a portable television set. A portable transistor radio went to the next four winners.

## Bank and S&L Differences Explained

A FOLDER entitled "Just What Is the DIFFERENCE?—commercial bank, savings bank, savings and loan association, thrift company" has been prepared by Timothy E. Ryan, vice-president and cashier, The First National Bank of Vernon, Calif., for distribution to customers.

The question and answer method is used in covering 11 major points. Question 2, for example, raised this point: "What is the difference between bank 'interest' and savings and loan 'dividends'?"

## Call to Mark Thrift Week

A CALL for the cooperation of all thrift institutions in the promotion of the 41st observance of National Thrift Week, October 19-25,

# NEWS

## • NEWS •

1958, has been made by Dr. Herman B. Wells, chairman, National Thrift Committee. "Save and Build, It's Your Future," has been selected as the theme for this important event," Dr. Wells stated. "The changing economic climate and the future prognosis of peak business activity are a challenge to every single

American individual," Dr. Wells commented.

"The observance of this week, with the adequate cooperation of all the nation's 27,000 financial institutions, can make an impact upon every individual in every community in this country.

"And there are important matters in the economy on which all institutions agree can and should be emphasized. Why not use the opportunity of National Thrift Week as the ideal time to present, cooperatively, the importance of thrift in today's economy?" Dr. Wells asked.

## Savings Packaged

A NEW savings promotion idea for banks in the mortgage business has been suggested by The Security Bank of Lincoln Park, Mich. It suggests that they endeavor to encourage borrowers to send in an extra \$5 or \$10 each month with their mortgage loan payments for deposit in a savings account.

The Security Bank feels that since they are already accustomed to a somewhat larger payment to build up tax or insurance reserves, so why not savings too?

# Housing and Mortgages

## A.B.A. Favors Development of an American Standards Building Code and Work Toward Higher Quality Housing

THE American Bankers Association was one of some 85 organizations with an interest in home-building invited by the American Standards Association, Inc., to attend recent meetings in New York to discuss the formulation of a uniform American Standards building code and work toward higher quality housing.

J. R. Dunkerley, senior deputy manager of the A.B.A. in charge of the Savings and Mortgage Division of the Association, and Cowles Andrus, president, County Bank and Trust Company, Passaic, N. J., and chairman of the A.B.A. Real Estate Mortgages Committee, represented the A.B.A. at these meetings.

At a meeting held in New York September 9, called by the American Standards Association, a motion was offered reading: "Shall an American Standards Association project on standard building code requirements for 1- and 2-family residents be initiated?" Since some of the organizations expressed a desire to vote by letter, the final result is unknown at press time; however, a majority of those present and voting favored the motion.

Before relinquishing the presidency of the A.B.A., Joseph C. Welman wrote the American Standards Association approving steps to develop an American Standard code.

Publisher Henry R. Luce, on behalf of 14 national organizations concerned with home building, initiated efforts to devise an American Standards building code.

"Conflicting and often archaic codes are adding at least \$1,000 to the cost of the average new house built," Mr. Luce said. "This is a figure too dramatic and urgent to be ignored. On 1,000,000 homes, this multiplies out to over \$1-billion a year of waste caused through building codes.

"Specific wastes are small compared to what could be saved if conflicting local codes were not blocking economies of nationwide standardization and discouraging the efforts of architects and builders to develop new ways to build better for less."

### Luce Proposals

The proposal submitted by Mr. Luce to the American Standards Association included the following specific requests:

"(1) That the American Standards Association institute the necessary procedures to develop and approve American Standard code requirements for the construction of 1- and 2-family residences.

"(2) That, in order to speed development and approval of these American Standard code requirements, the first stage of this pro-

cedure be limited to consolidating in a single American Standard the already almost identical 1- and 2-family house construction requirements of the Building Officials Conference of America, Southern, International, and New York State codes. The one exception we ask is that from the beginning the new code should permit the framing lumber sizes approved by the most up-to-date stress tables of the National Lumber Manufacturers Association.

"(3) That the American Standards Association make these requirements applicable to 3- and 4-family residences as well, if that extension proves practicable.

"(4) That the American Standards Association set up the machinery for an annual revision of the proposed code for 1- and 2-family houses. The whole process of home building is now undergoing revolutionary changes; those changes are coming so fast that without a yearly revision even the best code would soon be obsolete. It is important that the American Standard keep ahead of the industry's progress and authorize the use of better methods and materials even before most architects and builders are ready to use them. In short, it is imperative that the American Standard code stimulate and encourage progress instead of retarding it."

# • NEWS •

## Construction Activity Up in First Eight Months

THE dollar volume of new construction put in place rose seasonally in August to a record monthly high of \$4.8-billion, 3% above a year earlier, according to preliminary estimates prepared by the U. S. Departments of Labor and Commerce.

Outlays for the first eight months of 1958, at \$31.5-billion, were up a little from the comparable 1957 period, but physical volume was probably about the same in both years.

The private total for the first eight months, amounting to \$21.9-billion, was off only slightly from the same 1957 months, as the drop in industrial building was almost offset by gains in most other types of private work.

Outlays for publicly owned construction, totaling \$9.7-billion, were 6% above a year earlier.

## Housing Starts Climb

NEW permanent nonfarming dwelling units started in August, including 10,200 public units, numbered 119,000, according to preliminary estimates by the Bureau of Labor Statistics of the U. S. Department of Labor. The August 1957 nonfarm dwelling units totaled 100,000, representing an increase in August 1958 over August 1957 of 11.9%.

The seasonally adjusted annual rate of private housing starts, based upon the August figure of 108,800, is estimated at 1,170,000. The total private starts for the 1957 year numbered 992,000.

## "The Money Tree" Film

A NEW colored motion picture entitled "The Money Tree" has been produced by the Savings Banks Association of the State of New York. It carries a message of interest to nearly all age groups and appeals to boys and girls from middle ele-

mentary to high school levels as well as service clubs, women's clubs, church, and other civic organizations. It is 17 minutes long.

For information on the film's content write to the Public Relations Division of the Savings Banks Association of the State of New York, 110 E. 42nd St, New York 17, N. Y.

## Mortgage Bankers Criticize FHA and VA Rate Policy

BROADENING the market for new homes by reducing downpayments and lengthening maturities of loans will amount to little in the future as long as Congress and the Administration persist in holding to the fixed artificial interest rates on FHA and VA loans, Walter C. Nelson, vice-president of the Mortgage Bankers Association of America and

president, the Eberhardt Company, Minneapolis, said recently.

"So long as the supply of mortgage money is restricted by a fixed interest rate little is to be gained from reducing downpayment requirements and lengthening maturities," Mr. Nelson said. "With the VA rate much below a workable level in most parts of the country, and the FHA rate teetering on the verge of acceptability, a liberalization in mortgage terms may increase the demand for funds but it cannot help the supply. It can only make a tight supply tighter and, as has happened this year, lead to overwhelming pressures for direct Government support of an irrational situation."

No place in the entire field of credit is there any attempt to control the price of money as is done in the FHA insured and VA guar-

## The Farm Problem

(CONTINUED FROM PAGE 91)

production and sales would be required to avoid building up huge stocks for which no outlets would be readily available. The difficulties of establishing and maintaining balanced relationships among prices and administering controls without serious interference with desirable shifts are great. They are not made less by their vulnerability to political pressures and dictates. The needed controls would change agriculture from a highly dynamic activity to a very static one. They might lead to protecting the less efficient at the expense of the better farmers. Rights to produce would tend to be capitalized into land values or acquire values of their own thereby benefiting the current seller rather than the operators over the longer run. Unless properly designed and effectively administered with due flexibility, controls would lead to inefficient use of human and natural resources and thereby saddle agriculture and the public with higher costs and become a drag on progress. These and other possible consequences deserve careful consideration.

(4) Recognize that the basic problem is too many productive resources being assigned to lines in surplus and attack this by aids in adjusting resource use. Some land now pro-

ducing surpluses may need to be taken out of use, shifted to non-agricultural uses or changed to less intensive uses. Farm people who have better opportunities elsewhere and a desire to take advantage of them may be aided to do so as part of the adjustment. Public funds will be needed to bring about and speed the desired adjustment. The program should be highly selective in order to attain the adjustment where it is most needed and where it should be made. In order to avoid providing incentives to continue production of surpluses in conflict with such adjustment efforts, price supports should be gradually reduced as adjustment is obtained.

WHATEVER program may be developed, every effort should be made to improve markets and to find outlets able to stand on their own feet. Stand-by programs should be kept in reserve to deal with unusual situations such as major depressions which are beyond control of farmers themselves.

No magic, costless, or painless solution to the farm - price - and - income problem will be found. Instead of relying on political promises for a solution, Americans need to face facts and work out answers which will fit the facts.

# • NEWS •

anteed mortgage loans, he declared.

"The outstanding omission in the year's legislation—as we expected it to be—is the continued refusal on the part of both administration and Congress to face up to the interest rate issue," he added. The  $\frac{1}{4}\%$  lift in the fixed rate on VA guaranteed loans was no more than a teaser to both borrowers and lenders. It still left prices on guaranteed loans four to five points below par at the most favorable point in the recent money market and it still kept many able borrowers from access to guaranteed mortgage funds. Why it is that the fixed-rate incubus is visited on mortgages and no place else in the investment world is impossible to rationalize. The fixed rate does no one any good—when it is below the market rate of interest; and when it is above it is meaningless. The narrowly fixed rate does not protect the borrower; it simply keeps him from exercising his own judgment. It restricts his access to funds and inevitably raises the cost of his house. It increases the builder's risk and narrows his market.



**BANKERS FROM INDIA VISIT A.B.A.**

Sixteen high level representatives of the banks of India came to the United States to observe banking procedures and methods, with particular reference to industrial loans. Their study, under the aegis of the International Cooperation Administration, Washington, D. C., included a briefing session at the New York offices of the American Bankers Association and six days of concentrated observation in seven of the large New York City banks. The group was divided into teams of two or three members and each team was assigned to one of the banks where its members sat in on actual loan negotiations from beginning to end.

The delegation, led by Tenkasi K. Ramasubramaniam, chief officer, Industrial Finance Department, Reserve Bank of India—Central Office, Bombay, included: Shamrao V. Chandavarkar, State Bank of India, Bombay; Kripa S. Chaturvedi, Bank of India, Ltd., Bombay; Ram P. Chopra, Punjab National Bank, Ltd. Delhi; Pravinchandra V. Gandhi, Devkeran Nanjee Banking Company, Ltd., Bombay; Bhagvatlal N. Mehta, Reserve Bank of India, Bombay; Rammohanrao V. Pandit, State Bank of India, Ahmedabad; Shashi K. Pandya, United Commercial Bank, Ltd., Calcutta; Maganbhai G. Parikh, Bank of Baroda, Ltd., Bombay; Vithalbhai C. Patel, Central Bank of India, Ltd., Bombay; Ram Rakha, State Bank of India, Calcutta; Kadambi N. R. Ramanujam, Reserve Bank of India, Bombay; Alagapachettiar Sathappan, Indian Bank, Ltd., Madras; Pabitra K. Sen, United Bank of India, Ltd., Calcutta; Kameshwar D. Shandilya, State Bank of India, Bombay; and Cilamkoti S. Venkat Rao, State Bank of Hyderabad, Gunfoundry.

The Indian delegation is shown here conferring with A.B.A. leaders. At head of table, left to right, N. E. Philpot, project manager, ICA; J. R. Dunkerley, senior deputy manager, A.B.A.; Mr. Ramasubramaniam, and Walter B. French, senior deputy manager, A.B.A., and secretary of the Credit Policy Commission.

## CALENDAR

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### American Bankers Association

- Oct. 9-10 Western Regional Trust Conference, Statler Hotel, Los Angeles, Calif.
- Nov. 6-7 Mid-Continent Trust Conference, Statler Hotel, St. Louis, Mo.
- Nov. 17-18 National Agricultural Credit Conference, Sheraton - Fontenelle, Omaha, Nebr.
- 1959
- Jan. 22-23 National Credit Conference, La Salle Hotel, Chicago
- Jan. 26-27 Regional Savings and Mortgage Conference, Sheraton-Gibson Hotel, Cincinnati
- Feb. 9-11 Midwinter Trust Conference, Waldorf-Astoria, New York City

- March 2 National School Savings Forum, Roosevelt Hotel, New York City
- March 2-4 Annual Savings and Mortgage Conference, Roosevelt Hotel, New York City
- March 9-11 Instalment Credit Conference, Conrad Hilton Hotel, Chicago
- March 19-20 Agricultural Commission and Subcommittee on Agricultural Credit, Westward Ho Hotel, Phoenix, Ariz.
- May 14-15 Southern Regional Trust Conference, Dinkler-Tutwiler Hotel, Birmingham, Ala.
- June 1-5 American Institute of Banking, The Bellevue-Stratford and the Sheraton Hotel, Philadelphia, Pa.



## State Associations

Oct.	1-3	Savings Banks of New York, Lake Placid Club, Lake Placid
Oct.	2-3	Western Secretaries Conference, Sun Valley, Idaho
Oct.	12-13	Nebraska, Cornhusker Hotel, Lincoln
Oct.	13-14	Savings Banks of Connecticut, Mountain View House, Whitefield, N. H.
Oct.	17-18	New Hampshire, Mountain View House, Whitefield
Oct.	19-21	Kentucky, Brown Hotel, Louisville, Ky.
Oct.	19-22	Iowa, Fort Des Moines Hotel, Des Moines
Nov.	12-14	Pennsylvania Bankers Association, Fall Meeting, Sheraton Hotel, Philadelphia
Nov.	13-15	Arizona, Pioneer Hotel, Tucson
Dec.	7-9	Southern Secretaries Conference, Sir Walter Raleigh Hotel, Raleigh, N. C.
1959		
Feb.	4-6	Eastern Secretaries Conference, Skytop Lodge, Skytop, Pa.
March	19-21	Florida, Americana Hotel, Bal Harbour, Miami Beach
April	12-14	Louisiana, Buena Vista Hotel, Biloxi, Miss.
April	14-16	Georgia, Augusta Hotel, Bon Air
April	28-30	Ohio, Cleveland Hotel, Cleveland
May	5-6	Tennessee, New Gatlinburg Inn, Gatlinburg
May	7-8	Oklahoma, Mayo Hotel, Tulsa
May	7-9	North Carolina, The Carolina Hotel, Pinehurst
May	8-9	North Dakota, Clarence Parker Hotel, Minot
May	8-12	Maryland, Chalfonte-Haddon Hall, Atlantic City, N. J.
May	10-12	Missouri, Muehlebach Hotel, Kansas City
May	10-12	Texas, Gunter Hotel, San Antonio
May	13-15	Kansas, Hutchinson
May	14	Delaware, duPont Hotel, Wilmington
May	14-15	Massachusetts, New Ocean House, Swampscott
May	14-16	South Carolina, Poinsett Hotel, Greenville
May	17-19	California, del Coronado Hotel, Coronado
May	18-20	Mississippi, Buena Vista Hotel, Biloxi
May	19-20	Illinois, Chase-Park Plaza Hotel, St. Louis, Mo.
May	20-22	Alabama, Tutwiler Hotel, Birmingham
May	20-23	New Jersey, Chalfonte-Haddon Hall, Atlantic City
May	21-23	Colorado, Broadmoor Hotel, Colorado Springs
May	22-23	New Mexico, La Fonda Hotel, Santa Fe
May	24-27	Pennsylvania, Chalfonte-Haddon Hall, Atlantic City, N. J.
May	25-27	Arkansas, Arlington Hotel, Hot Springs
May	31-	
June 2		Oregon, Marion Hotel, Salem
June 3-4		Indiana, French Lick-Sheraton Hotel, French Lick

June	3-7	Dist. of Col., The Homestead Hotel, Hot Springs, Va.
June	4-6	Utah, Utah Hotel, Salt Lake City
June	5-6	Connecticut, Equinox House, Manchester, Vt.
June	7-9	Idaho, The Lodge, Sun Valley
June	9-10	Minnesota, St. Paul Hotel, St. Paul
June	11-13	Washington, Olympic Hotel, Seattle
June	11-13	Wyoming, Casper
June	15-17	Wisconsin, Schroeder Hotel, Milwaukee
June	18-20	Michigan, Grand Hotel, Mackinac Island
June	18-20	Montana, Canyon Hotel, Yellowstone Park
June	18-20	Virginia, The Homestead, Hot Springs
June	19-20	*New Hampshire, Wentworth-By-The-Sea, Portsmouth
June	19-20	*New Hampshire Savings Banks, Wentworth-By-The-Sea, Portsmouth
June	19-20	Vermont, Equinox Hotel, Manchester
June	19-20	New Jersey Savings Banks, Monmouth Hotel, Spring Lake
June	19-21	Maine, Poland Spring House, Poland Spring
June	25	New York, Monmouth & Essex & Sussex Hotels, Spring Lake, N. J.
July	23-25	West Virginia, The Greenbrier Hotel, White Sulphur Springs
Sept.	17-19	Massachusetts Savings Banks, Wentworth-By-The Sea, Portsmouth, N. H.
Oct.	8-10	Connecticut, The Greenbrier Hotel, White Sulphur Springs, W. Va.
Oct.	11-12	Nebraska, Sheraton Fontenelle Hotel, Omaha
Oct.	16-17	New Hampshire (Fall Meeting), Mountain View House, Whitefield
Oct.	16-21	New York Savings Banks, S. S. Nieuw Amsterdam, Cruise to Bermuda

\* Joint Meeting

## Other Organizations

Oct.	6-9	Annual Convention, National Association of Bank Women, Atlanta Biltmore, Atlanta
Oct.	13-15	International Systems Meeting, Hotel Penn-Sheraton, Pittsburgh, Pa.
Oct.	22	Illinois Safe Deposit Association, Annual Educational Conference, Faust Hotel, Rockford
Nov.	3-5	NABAC annual convention, Statler-Hilton Hotel, Dallas, Texas
Nov.	3-6	Mortgage Bankers Assn., Conrad Hilton Hotel, Chicago
Nov.	9-12	Robert Morris Associates, Annual Fall Conference, The Greenbrier, White Sulphur Springs, W. Va.
Nov. 30- Dec. 5		Investment Bankers Assn., Americana Hotel, Miami Beach, Fla.
1959		
Oct.	4-7	Robert Morris Associates, Annual Fall Conference, Edgewater Beach Hotel, Chicago, Ill.

All banking associations are invited to send in dates of their forthcoming meetings for this calendar.

APRIL	MAY	JUNE	JULY	AUGUST	1959 SEPTEMBER 1959
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# The Savings and Mortgage Picture

*This article is based upon the report of the Savings and Mortgage Division of the American Bankers Association at the Division's meeting during the 84th annual convention of the Association in Chicago. It was written for delivery by retiring Division President JOHN ADIKES, president of the Jamaica (N. Y.) Savings Bank.*

**S**AVINGS deposits in banks have continued their upward trend during the past year. New high levels have been reached in both mutual savings banks and commercial banks. The total savings now held by all banks is nearly \$94-billion, which represents an increase of \$9-billion for the year ending June 30, 1958.

For the second successive year, savings and time deposits in banks have increased more than share accounts in savings and loan associations. Compared with the \$9-billion increase in 12 months in banks, share accounts in savings and loan associations increased approximately \$5-billion. The total account of savings now in commercial banks is \$61-billion and in mutual savings \$33-billion.

## Growth in Mortgages

There has been renewed activity in mortgage markets, and in mortgage investing by banks. On June 30, 1958, banks held a total of approximately \$45-billion in mortgage loans; commercial banks have 39% of their time deposits so invested, and the ratio of mortgages in mutual savings banks stands at 65% of their total deposits. The popularity of mortgage loans as investments of savings and time deposits in banks has been very pronounced in the years following World War II. At the end of 1945, total mortgage loans held by banks in the country amounted to \$9-billion. At that time, commercial banks had 16% of time deposits invested in mortgages, and 27% of savings deposits of mu-



John Adikes

tual savings banks were invested in mortgages.

By the end of the year 1950, the total of all mortgages outstanding had reached \$72.8-billion, up 105% in the 5-year period. By 1955 the total amount of mortgages outstanding in the country had reached \$130-billion, up 266% during the 10-year period. The \$156-billion investment in mortgage loans which was outstanding at the start of 1958 was distributed as follows:

	Amount (billion)	% of total
Commercial banks	\$ 23.3	14.92
Mutual savings banks	21.2	13.56
Savings and loan associations	40.1	25.65
Insurance companies	35.2	22.52
Other sources	36.5	23.35
	<u>\$156.3</u>	<u>100.00</u>

## Encouraging Savings Deposits

The Savings and Mortgage Division of the A.B.A. continues to encourage actively the growth of savings accounts in banks throughout the country. Through a greatly stepped-up savings advertising and public relations program, every effort is being made to assist in meeting competition for savings.

It is essential for banks to exert every effort in the field of thrift, for

the competition for savings is so great that nothing less than an all-out drive will be successful.

## Work of the Committees

The work of the Savings and Mortgage Division is carried on by several active committees:

**Committee on Savings and Mortgage Development**—Louis B. Lundborg, chairman: The Committee on Savings and Mortgage Development actively seeks ways and means to help banks meet the growing competition for savings. It is accomplished through cooperative efforts with the Advertising Department of the A.B.A. in planning and executing savings promotional copy for banks to use in their newspaper coverage. Folders and packaged kits for savings development are also provided. It cooperates in developing and printing savings information through the A.B.A. Public Relations Council, and through continuous "meetings-by-mail," in which new thoughts and ideas on savings opportunities are exchanged and thus the information is put immediately to use.

To help give ever better ideas on savings promotion, all banks are encouraged to participate in this exchange of ideas by sending to the committee chairman any thoughts or experiences which are believed would assist in meeting the challenge of savings competition.

## Investments

**Committee on Investments**—Louis S. Finger, chairman: The Committee on Investments completed a comprehensive review last year of the Corporate Bond Study of the National Bureau of Economic Research, and its results were published in a booklet, "Long Term Corporate Bond Experience."

The Committee's report contains a summary of the National Bureau's full report, providing a review of the basic investment principles which it revealed, and giving information on important investment conclusions

covering a 44-year period of corporate bond behavior.

The Committee is presently making a study of the investment of savings funds in stock equities. It is intended to make available to member banks those basic investment principles which are believed valuable for banks in determining their policies for stock purchases, in those areas where state laws permit equities as investments for savings.

### Operations

**Committee on Savings Management and Operations**—Everett J. Livesey, chairman: After several years of study, a simplified plan of "cost analysis" has been completed. It will be published soon in booklet form, and at present is being tested for accuracy and completeness by several banks which are trying it.

It is planned to follow a simplified step-by-step procedure, which a bank officer can easily follow (whether he is an accounting expert or not), with special forms prepared for use in transferring and tabulating figures of bank operations into a systematic analysis program. It will be an invaluable asset to banks in knowing just how profitable the savings operation really is, and the importance of earnings and operating results in determining interest rate payments or other expenditures and activities of the bank.

Automation and new accounting machines which are being developed for high-speed operations are developing at a rapid pace. The Committee has become an important influence in the country for studying, reporting, and developing new opportunities in this field. It keeps banks informed of what is new and what is in prospect. It has given careful attention in these developments to the special needs and problems of smaller banks.

### Unfair Competition

**Committee on Federal Legislation**—Paul A. Warner, chairman: This Committee directs its attention to Federal legislation which is intended to correct unfair competition for savings. It has followed and reported on bills introduced in Congress relating to the expansion of the savings and loan industry, the Financial Institutions Act, and the Postal Savings system. Legislation affecting credit unions is also being followed.

## Money Management

**Committee on Real Estate Mortgages**—Cowles Andrus, chairman: Federal legislation affecting housing and mortgage credit receives the constant attention of the Committee on Real Estate Mortgages. The past several months have been especially active in this field, as numerous housing bills affecting the mortgage activities of all lenders have been prominent in Congress. The Emergency Housing Bill was passed by Congress on March 19, which further liberalized credit terms for mortgages and authorized nearly \$2-billion in support of the housing market, through direct loans to veterans and by authorizing special assistance mortgage purchases by the Federal National Mortgage Association of FHA and VA loans at 100.

Testimony was presented before the Housing Committees of the Senate and House Banking and Currency Committees, and before the House Committee on Veterans Affairs relating to housing and mortgage credit legislation. Support was given at these hearings for sound principles of mortgage credit, and opposition was expressed to those phases of legislation which seek to ever further liberalize mortgage terms and other principles which we believe would not be for the best interest of the nation's economy.

### Mortgage Activity

In addition to housing legislation, the Committee has devoted much attention to other aspects of mortgage activity. Committee members have met with the Administrator of the Federal Housing Administration, on future plans and policies, and participated in the planning stages for FHA's new "Certified Agency Program," which offers greatly

speeded up insured mortgage processing and closing procedures. Work has continued with the Voluntary Home Mortgage Credit Program, and the Committee is seeking to complete a program for bank participation in Pension Fund investments in mortgages.

### School Savings Banking

**Committee on Personal Money Management**—C. Arthur Hemminger, chairman: A revision has been made of the booklet *Personal Money Management*. It provides information for savings depositors and their families in planning personal financial affairs, and in maintaining a savings program to meet life's responsibilities.

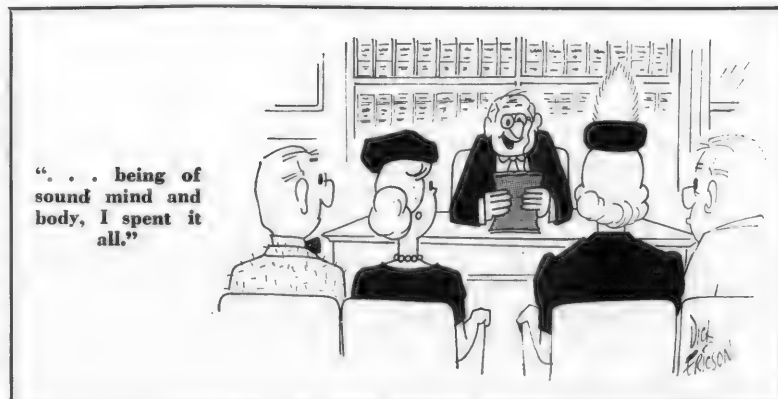
The previous editions of this booklet have met with wide acclaim, and more than 450,000 copies have been distributed to bank customers. The new edition appears at this early stage to be just as popular as ever.

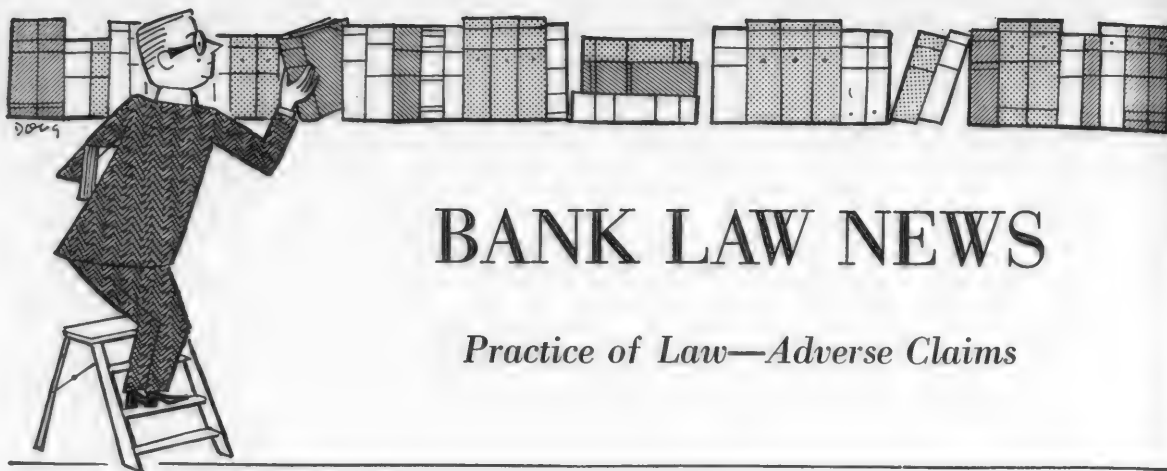
### New Business Development

**Committee on School Savings Banking**—Frederick C. Ober, chairman: The school savings program continues to grow, and in a recent survey made by the Committee on School Savings Banking there were approximately 5,200,000 school children in 15,500 schools participating in the program, with \$181,200,000 on deposit in banks. This is an increase during the year of 277,000 school savers, 2,100 schools, and \$5,000,000 in deposits.

### Conclusion

These are the highlights of the savings and mortgage picture today. The Savings and Mortgage Division will continue to provide leadership in all phases of this important aspect of banking.





# BANK LAW NEWS

## *Practice of Law—Adverse Claims*

### PRACTICE OF LAW

#### **Limitations on Connecticut banks acting as fiduciaries.**

THE latest, although perhaps not the last, word in the matter of the extent to which Connecticut banks acting as fiduciaries may go before the acts which they perform may constitute the unauthorized practice of law was recently handed down by the Connecticut Superior Court. This case was previously reported in *BANKING*, June 1957 and July 1958 issues.

The Connecticut Supreme Court of Errors had remanded the case to the Superior Court with directions to render judgment to accord with opinion expressed in the decision reported in 140 Atl. (2d) 863. The rulings of the Superior Court are set forth below.

The defendant banks were "forever enjoined," under penalty of a \$10,000 fine for any violation, "from preparing and filing documents in any Probate Court or with the State Tax Department or with the Internal Revenue Service, or appearing or being represented in any Probate Court or before the State Tax Department or any representative thereof or before the Internal Revenue Service or any representative thereof, on any matter with respect to which a hearing is required by law or a hearing is had though not required by law, or appearing or being represented in any proceeding, conference, or negotiation wherein the legal rights, liabilities, or interest of any estate or trust or of any parties interested therein are

to be adjudicated, defined, determined, compromised, or settled by decree, judgment, order, or ruling of any Probate Court or of the State Tax Department or of the Internal Revenue Service."

Such acts, performed by the defendants through its officers or employees, whether attorneys or laymen, are "acts and practices commonly understood to be the practice of law and constitute the unlawful practice of law" by the banks, the court ruled.

It is permissible, said the court, for a bank to give general information to customers and prospective customers on Federal and state tax laws, trusts, wills, etc. It is also proper to review existing wills and trust agreements where the bank gives "no specific advice, charges no fee, and urges customers to consult their own attorneys for advice on their specific situations and have them draw any necessary documents."

A bank may, also, through trust department employees, whether attorneys or laymen, prepare tax returns, and deal with and appear before state and Federal tax authorities in connection with taxes alleged to be due from estates administered by the bank, provided that the bank does not engage in any of the acts and practices, set forth above, which are declared to be "commonly understood to be the practice of law." *State Bar Association of Connecticut, et al v. The Connecticut Bank & Trust Company and Hartford National Bank & Trust Company* (Conn. Super. Ct., August, 1958).

### ADVERSE CLAIMS

#### **Adverse Claim to Bank Deposit Statute held applicable to claim made by garnishing creditor.**

A JUDGMENT had been obtained against one C. A. Campbell, and the judgment creditor served a notice of garnishment upon a bank in which the judgment debtor had no account but in which there were funds on deposit in a checking account under the name of Campbell & Hall, Inc.

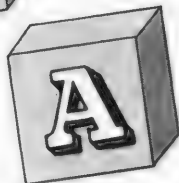
The notice stated that the funds in the Campbell & Hall account belonging to the judgment debtor were being garnished.

The funds in the corporate account did belong to the judgment debtor, but the bank had no knowledge of this fact. Subsequently, the bank honored, without fraud, collusion, or bad faith on its part, a check drawn by the corporation, which depleted the account, and the judgment creditor was successful in its action to recover from the bank the amount on deposit at the time of the garnishment. This judgment, however, was reversed on appeal by the bank to the Oregon Supreme Court.

The court absolved the bank of liability because when it honored the corporate check, it had no knowledge that the funds on deposit belonged to the judgment debtor and because the judgment creditor had not complied with the provisions of the Oregon Adverse Claim to Bank Deposit Statute, Rev. Stat., §708.525.

(CONTINUED ON PAGE 116)





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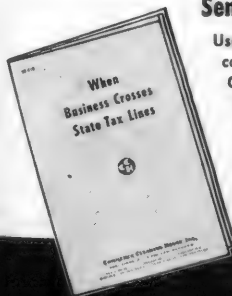
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(CONTINUED FROM PAGE 114)

The statute provides that notice to any bank of an adverse claim to a deposit "shall not be effectual to cause said bank to recognize said adverse claimant," unless the claimant shall either procure an order restraining the bank from honoring withdrawals against the deposit or shall post a bond indemnifying the bank on account of the payment of the claim or if it declines to honor withdrawals made by the person in whose name the account stands.

The statute, said the court, is applicable in all cases where an adverse claim is made to a deposit. The purpose of the statute is to "relieve the bank of the financial responsibility attendant upon deciding whether the person entered upon the bank's books is entitled to the deposit money, or whether the person whom the adverse claimant says is the owner of the account should be recognized as such." *Phil Grossmayer Co. v. Campbell (Ore.)* 328 Pac. (2d) 320.

### Brief Notes on Other Cases

**Checks.** In a case of first impression in New Mexico, defense of statute of frauds was not available to drawer in action to recover amount of check representing downpayment on realty which drawer had orally agreed to purchase. *Coseboom v. Marshall's Trust (N. Mex.)* 326 Pac. (2d) 368.

**Federal tax liens.** Ohio Court of Appeals rules that Federal tax liens have priority over mechanics' liens although holders of mechanics' liens performed first work or delivered first materials prior to date of filing of Federal tax liens. *Shott v. Peoples Bank (Ohio App.)* 151 N.E. (2d) 47.

**Forgery.** Under Ohio statute, Rev. Code Anno. (1953) §2913.01, one who, with intent to defraud, signs his name to a check drawn on a bank in which he has no account, is guilty of forgery. In *re Clemons (Ohio)* 151 N.E. (2d) 553.

**Promissory notes.** Words "Conditional Acceptance Premium Note" appearing on face of note negotiable in form do not render note nonnegotiable. Ruling of lower court, reported in July 1958 issue of *BANKING*, reversed. *Citizens & Southern National Bank v. Johnson* (Ga.) 104 S.E. (2d) 123.

Under Louisiana law, Rev. Stat. §§ 9-101 through 9-104, a married woman who signs a note as comaker with her husband becomes personally liable for its payment and her husband's subsequent discharge in bankruptcy does not relieve her of her obligation to pay the note. *United States v. Miller* (U. S. Dist. Ct., La.) 162 F. Supp. 726.

## New Members of A.B.A.

SIXTY-THREE banks and branch offices in 23 states joined the American Bankers Association during August, according to the monthly report of Frank W. Thomas, chairman of the Association's Organization Committee. Mr. Thomas is president, Washington (Ga.) Loan & Banking Company.

The newly organized members in this group are:

ARIZONA: Valley National Bank, Oracle-Grant Office, Tucson.

CALIFORNIA: Mechanics Bank of Richmond, El Cerrito Plaza Office, El Cerrito, and Morris Plan Company of California, San Diego Branch.

CONNECTICUT: Simsbury Bank & Trust Company, Avon Office.

DELAWARE: First National Bank of Seaford, Nylon Capital Branch.

FLORIDA: Beach State Bank, Panama City Beach, and First Park Bank, Pinellas Park.

GEORGIA: Bank of Stone Mountain.

LOUISIANA: Capital Bank & Trust Company, Downtown Branch, Baton Rouge, and Bank of Louisiana in New Orleans.

MICHIGAN: Peoples State Bank, Drive-In Branch, St. Joseph.

MISSOURI: Bank of Crestwood, St. Louis.

NEBRASKA: Lawrence State Bank, Lawrence.

NEVADA: First National Bank of Nevada, Stead Air Force Base Facility, Reno.

NEW JERSEY: First National Bank of Toms River, Brick Township Branch, Laurelton; First National Iron Bank, Morris Street Shopping Center Office, Morristown, and Rockaway Township Industrial Office, Rockaway.

NEW MEXICO: First National Bank of Grants.

NEW YORK: Meadow Brook National Bank, South Farmingdale Office.

NORTH CAROLINA: Lexington State Bank, Welcome Branch, Lexington.

OKLAHOMA: Community State Bank of Tulsa.

PENNSYLVANIA: Commonwealth Trust Company, Banksville Branch, Pittsburgh.

TEXAS: East Dallas Bank & Trust Company, Dallas, and First State Bank, Freer.

VIRGINIA: First National Exchange Bank, South Roanoke Branch, Roanoke.

WISCONSIN: Southgate National Bank, Milwaukee.

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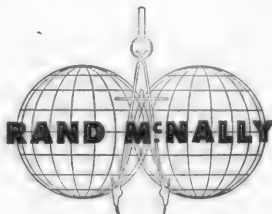
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## MEET PRESIDENT MILLER

(CONTINUED FROM PAGE 47)

capacity than could be used right away. . . .

"The job ahead of us, to my way of thinking, is to launch the Atlases and Vanguards of economic recovery through confidence and determination."

### Notes Change in Rural Banking

At a farm credit conference of the Virginia Bankers Association, Lee Miller gave his views on country banking:

"Rural banking has grown up. It has gone from simply financing farmers, which was the primary problem in rural areas when I started in banking, to financing 'agri-business,' to financing 'agri-business' plus anything else which will more fully employ the talents of local people—in short, anything that will help develop the area.

"No other financial agency is equipped to serve so many different types of customers in rural areas as are the banks," he said. "This is both a challenge and an advantage. It complicates our decisions as to whom we shall make loans, and it multiplies our responsibilities. Yet the diversity of bank services places us in an enviable position, because we can supply one-stop financial services better than any other type of financial institution.

"Having a broader base of operations in newer lines, country banking certainly possesses today a stronger element of diversification, the lack of which plagued earlier generations of country bankers. This should give us courage to continue to explore new and better ways of serving our agricultural communities. It should instill in us a philosophy of confidence in the progress of agriculture and in the unquestioned ability of the chartered banking system to be a leading contributor to that progress."

### Bankers Must Lead

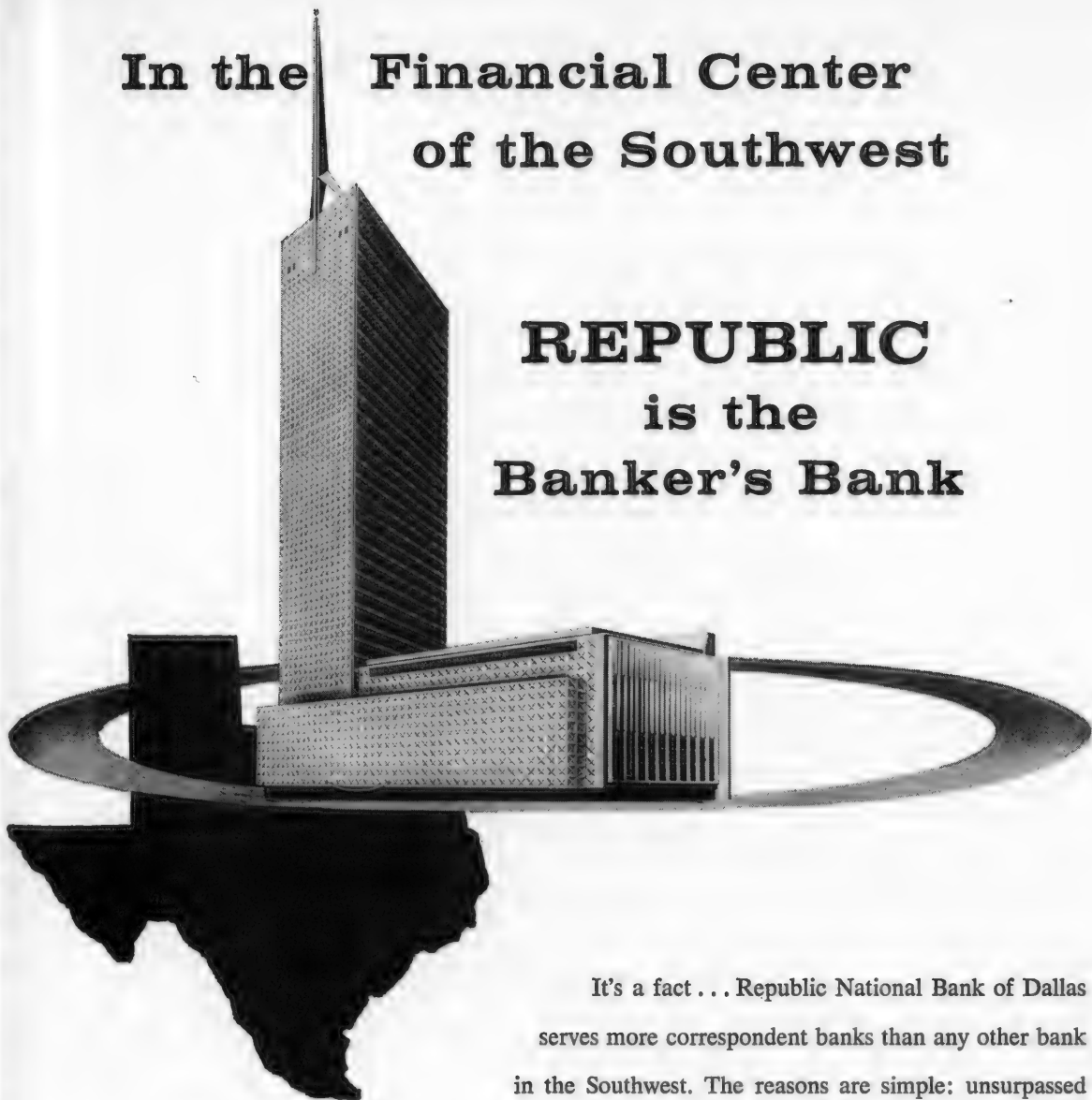
Lee Miller firmly believes that the community looks up to bankers as leaders, and that it is therefore the duty of bank officers to go beyond the tellers' windows and loan officers' desks to become a part of the community.

(CONTINUED ON PAGE 120)



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Subsidiary of BOWSER, INC.

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Phone LOngbeach 1-0217

New York Office—420 Lexington Ave., New York 17, N. Y.  
Phone LExington 2-5840

SALES AND SERVICE OFFICES IN MAJOR CITIES LISTED UNDER BOWSER, INC.

- ★ Individual count . . . pennies, nickels, dimes, quarters and halves—with individual re-set.
- ★ Totalizing meter (re-set type) . . . gives dollars-and-cents reading.
- ★ Bagging attachments . . . for all coins
- ★ Proving drawers . . . for easy verification.
- ★ Attached tray . . . permits screening of money.
- ★ Rollaway stand . . . for convenient move-about.

(CONTINUED FROM PAGE 118)

munity. A man who backs his words with action, Lee Miller is currently a director of Associated Industries of Kentucky, the Louisville Transit Company, the Kentucky Chamber of Commerce, Louisville Chamber of Commerce, and the Jefferson Island Salt Company. He is chairman of the board of trustees of the University of Louisville, and a trustee of the Masonic Widows and Orphans Home. He has also served on the Federal Advisory Council for the Eighth Federal Reserve District for the past three years, is president and director of Citizens Fidelity Insurance Company, and belongs to a number of Louisville's civic and social clubs.

He is also an avid fan of the University of Louisville and University of Kentucky basketball teams, rarely missing a game if time and the tempo of business permit.

Lee Miller is married to the former Lucille Curd, and they have one son, Lee Curd, a lawyer with Bullitt, Dawson and Tarrent. If there is time for a hobby in his life, other than his interest in college sports, Lee Miller supposes that his would be his enthusiasm for the show horses raised by his son and daughter-in-law on their PeWee Valley Farm.

It is obvious, however, that the main interests of the new president of the American Bankers Association lie in bankers, banking, and banks.



"So what if our check to the finance company *did* come back marked 'insufficient funds' . . . they'll at least know we *tried* to pay our bill!"

**BANKING**

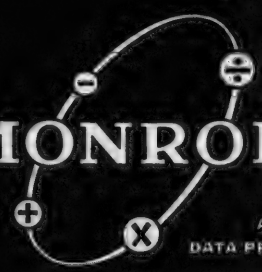


**This ADVANCED  
Bookkeeping Machine offers  
savings every second...**



...because you save when you buy it; save while you use it. The big, rugged Monroe President takes time with a score of advanced labor-saving features including exclusive Printed Activity Count. There's no load limit with the President. It's built to stand up under constant week-day, all-day conditions. Yet, for all its premium performance, the President costs hundreds of dollars less than comparable machines.

**See the MAN from MONROE**



for CALCULATING  
ADDING · ACCOUNTING  
DATA PROCESSING MACHINES

Monroe Calculating Machine Company, Inc., 10000 Rock Road  
St. Louis, MO 63143  
Circle 181 on Reader Service Card

● *How TI sells home ownership  
to your customers...  
protects them, too!*

**Why own a home?  
ENTERTAINING!**

Having friends in "Entertaining one of a hundred—the choice is yours when you own your home. The pleasures of home ownership are more fully appreciated when you know your property right is as fully protected by a Title Insurance policy.

At T.I. all title policy orders receive prompt attention from America's largest staff of title experts, backed by 65 years experience...and supplemented by complete land records in 15 California counties.

We feel that you, too, want to assure your home's many pleasures. You can do this simply by specifying T.I. when you buy.

"You can be sure when T.I. insures"

**Title Insurance and Trust Company**

433 S. Spring Street, Los Angeles 54 • Madison 6-2411  
(Branches and subsidiary companies in fifteen California counties)



Through local newspaper ads, Title Insurance is selling the benefits of owning property... important benefits like **Entertaining and Hobbies and Flowers and Relaxation.**

When *your* customers buy in California, be sure to give their property, and all the many benefits that go with it, the safe, sure protection of a Title Insurance policy.

T.I.'s fast, low-cost, dependable title service is made possible by America's largest staff of title specialists, *complete* land records in 15 California counties, and 65 years of title service experience.

Remember—the best safeguard for buyers and sellers is a Title Insurance and Trust Company policy.

"You can be sure  
when T.I. insures"



**America's Largest  
Title Company**

## Title Insurance and Trust Company

433 SOUTH SPRING STREET, LOS ANGELES 54 • Madison 6-2411

(Branches and subsidiary companies in fifteen California counties)

## New Accounts Easy to get with the aid of



# VISABANK

Visabank works right in the home—all day, every day. Made of clear plastic—you actually see the savings grow. It's the nickels, dimes and quarters saved today that become big accounts tomorrow.

Your Bank's name is stamped in gold on front of Visabank. Your ad message covers the back. Visabank is self-liquidating—write for information.

*Some Good Territories Open for Representation.*

**PATENTED PLASTICS, INC.**

21688 West 25th Street

Cleveland 13, Ohio

## Market Research

(CONTINUED FROM PAGE 61)

**QUESTION:** *Isn't market research more suited to "product" business than to banking?*

**ANSWER:** It really makes no difference whether a study is focused on banking problems or some other segment of the service or production industries. The basic market research techniques are the same.

During the last 12 years the U. S. Department of Agriculture has been sponsoring work on consumer preferences and reaction to many kinds of foods and textile fibers. The Bureau of Commercial Fisheries in the Interior Department is now developing a program of marketing and survey research for fishery products. The Public Health Service is using these methods for measuring consumer reaction to their larger programs, a case in point being the study of public response to the administration of the Salk anti-polio vaccine. Private industry has availed itself of these techniques for many years as a guide to production and merchandising practices.

The Federal Reserve Board has used these survey methods for more than a decade to get some measure of individual holdings of liquid assets, savings, bond holdings, and even consumer spending intentions. There is no reason at all why banking, as a service industry, should not benefit from the methods of market and survey research.

### Other Uses of MR

**QUESTION:** *How else can banks be helped by this kind of research?*

**ANSWER:** There are such questions to be answered as: Why does a bank lose business? What are the characteristics of its customers? How can it increase its business? How can it improve its relations with the public? What are the best themes to use in business promotion? Should it require market research reports in evaluating the validity of loans to industrial borrowers?

Then, too, there is the whole field of public attitudes toward banking, toward individual banks and the underlying reasons *why* such attitudes are held. If some persons are antagonistic or fearful, what can be done to change their attitudes?



# Free Research for Customers

(CONTINUED FROM PAGE 59)

the department to its present size because he prefers to handle personally as much of the analysis and direction as he can. However, the way things are going, there may have to be an expansion soon.

The decision to establish the research department originated from Traders' search for ways to improve its own operation and development plans. A result was a "master plan" for the bank which provided detailed reports, analyses, and recommendations that led to key revisions in the original program and demonstrated the importance of planning supported by analysis.

Extension of research service to customers seemed a logical step, and the bank took it. Now the best evidence of the program's value is the increasing number of requests for business evaluations.

## A Few Case Histories

Here are some examples of re-

search projects carried out for customers.

**Sales quotas for a major manufacturer.** A company with annual sales of \$6,000,000 was trying to develop quotas for its salesmen by using the individuals' estimates. This was a new approach, and the company asked the research department for an independent estimate of the market potential and the quotas. A county-by-county potential was prepared for the sales areas. It was immediately apparent that the salesmen's self-imposed estimates were low and that some territories had greater potential than others. Based on the county projections developed by the bank, the manufacturer realigned its territories and increased its sales force by 50%. As a result the original sales quotas were exceeded by 25%—and in a highly competitive market.

**10-year growth projection for transportation company.** A long-range program based on the com-



Harold L. Jenkins, research director of the Traders National

pany's growth pattern and industry forecasts was designed to guide management's future planning. The result has been an expansion of the company by merger and a blueprint for an internal research program for customer and employee relations. The independent forecast assisted management's long-range thinking.

(CONTINUED ON PAGE 124)

***FUND***  
**OF EXPERIENCE**

The investment officer in your bank is a specialist. You rely on his experience to handle all the complicated details of your investment portfolio. Rely on our **FUND OF EXPERIENCE** in helping to protect the resources of financial institutions against crime and dishonesty. Be sure your Bankers Blanket Bond carries the name...

**NATIONAL SURETY CORPORATION**  
*Available through independent agents and brokers*

FIREMAN'S FUND INSURANCE COMPANY • HOME FIRE & MARINE INSURANCE COMPANY  
FIREMAN'S FUND INDEMNITY COMPANY • NATIONAL SURETY CORPORATION

Central Bonding Offices:  
3333 CALIFORNIA STREET, SAN FRANCISCO  
4 ALBANY STREET, NEW YORK  
Branch Offices in Principal Cities in America

10-year projection for steel fabricator. To plan for future capital requirements and to assist in long-range planning, a study was made of the company's growth pattern, its relationship to the industry's growth and future, and the company's diversification plans. From this management realigned its thinking toward the areas of greatest profit. Further investigation of product potential was warranted. This is currently under way, and a special industry is being thoroughly researched.

**Specific area market potential for customer in meat industry.** An analysis of territory for expansion of sales on the basis of market potential for the customer's products is now under advisement. In addition, the salesman's compensation plan is under review.

**Survey of methods used by insurance companies to place business for auto glass replacements.** The result is still in the development stage, but a clear-cut alternative was presented. Recommendations are under advisement.

**Study of a central livestock mar-**

**ket.** At the request of a correspondent bank and a central livestock market, a study was made of the potential and the market's share thereof. Reasons for loss of volume were uncovered and specific recommendations were offered. An attitude survey of the central market's segments was made. The result was a concentrated effort to reestablish the lost volume through greater cooperation of all parts of the industry. Most of the proposals are still being considered.

**Correspondent bank surveys.** Two master plan studies, similar to the bank's own, were completed. As a result, one bank has built a new building and has revamped its business programming. Profits are up considerably. The other bank has its plan under advisement, but will proceed soon with adjustments.

Another bank requested a feasibility study for a motor bank and garage. The facility is now being completed and the bank has recently merged with another in the same area.

Still another bank asked for a

similar study. It is now operating a successful motor bank and garage, adequate for its immediate needs. And it has plans for expansion.

### Planning Is Progress

"Research," says the Traders National, "is not new in many fields. However, to the best of our knowledge, Traders has pioneered the concept of research as a bank customer service in this area. It is a logical outgrowth of our belief that *planning*, based on facts and principles, is the soul of modern business progress."

*Some persons live life on the cafeteria plan—self-service only.*

The person who never makes a mistake never does anything, and that's the biggest mistake.

*It's hard to get anywhere just pacing the floor.*

A person with no weaknesses is irritating, because you can't find some way to take advantage of him.

*To all bankers*

## DO YOU HAVE ACCOUNTS REQUIRING SPECIAL FINANCING?

Talk to Talcott. If you have loan customers whose requirements are temporarily beyond your loaning policy, James Talcott, Inc. can help you keep their good will and loyalty. If you're faced with the decision of limiting loans, Talcott will cooperate with you in working out a financing

program in which you may wish to participate. Remember: if you, as a banker, feel that your client requires special financing beyond the services of a bank, Talcott can supply this additional working capital until such time as the needs of your customer are again acceptable to you.

### Talcott's Special Financing...

- Accounts Receivable (Non-Notification) • Inventories
- Machinery & Equipment • Instalment & Lease Sales
- Factoring (Notification & Non-Notification)



**JAMES TALCOTT, INC.**  
FOUNDED 1854

**CHICAGO**  
209 SOUTH LaSALLE STREET  
Financial 6-1444

**NEW YORK**  
221 FOURTH AVENUE  
ORegon 7-3000

**DETROIT**  
1870 NATIONAL BANK BLDG.  
Woodward 2-4563

Charles T. Brown, 811 Queens Road  
Charlotte, N. C. Edison 2-7685

J. R. Sharpe, 1826 Coulee St.  
P. O. Box 6048, Jacksonville, Fla.  
EVergreen 7-4260

Clarence Knowles, 1734 Candler Bldg.  
Atlanta 3, Ga. LAmar 1936

## About Women

(CONTINUED FROM PAGE 53)

feminine readership include the editorial and book review pages and the comics. Significantly, the women's pages, an obvious place for reaching women, average out with very little more appeal than "all pages" in this broad ranging study.

### Mutually Strengthening Features

From three studies done on different dates by Dr. Starch for the New York Times another clue for advertisers emerges: readership of the general news pages inside the paper shifts daily. Where no regular features such as editorials or advice to the lovelorn attract specific audiences, each page in the paper fights for and develops its own audience each day.

Readers' judgments as to what is on a page are apparently made at lightning speed. Various authorities have suggested some of the ways in which we screen ourselves from seeing messages irrelevant to our immediate interests, and anyone who has checked the percentage of people reading a sign in his own bank knows how comparatively few people will look twice—or even once—at advertising displays.

Here is what studies of the actions of thousands of newspaper readers show: a page carrying an interesting news story for women plus a substantial advertisement for food or women's clothing will develop very high feminine traffic—much higher, often, than the traffic on the opposite page. The judgment as to what is on that page is made so rapidly as to approach being subliminal. Two-thirds of the feminine readers that decided a certain page was worth stopping for may declare that they never saw at all the advertisement for men on that same page.

Another indication of the rapid and accurate judgments made about the true message of an advertisement is the close correspondence between the interest of the sexes when first glimpsing an advertisement and when completing the reading of it. It is a truism that a good many more people will glance at an advertisement than actually read it through. What is strange is that a sudden shift from predominantly male interest at the start to pre-

dominantly female interest at the finish virtually never occurs. I cannot recall a single exception to the principle that the advertisement that attracts more feminine interest to begin with will hold more feminine readers throughout.

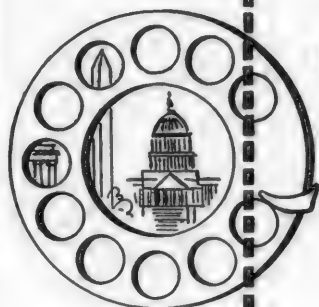
Under these circumstances it is not surprising that feminine readership of a newspaper page usually falls off when either the advertising or the news on that page is not strongly interesting to women.

Banks have an opportunity to exploit these psychological trends. Advertising position near good women's

stories can be requested. And if editorial and advertising material generally team together to determine the attractiveness of a given page, advertising should be made so interesting to women that the newspaper will want, on its own initiative, to run it on the same page with news stories attractive to them.

### Make the Target Clear

There is another advantage in making an advertisement clearly carry a message for women and not for some neuter audience: increasing the proportion of women who rec-



## QUICK SERVICE in the Nation's Capital

When matters arise that require prompt action in Washington, call on American Security for assistance. Our "know-how" serves many; we would like to serve you.

## American Security & TRUST COMPANY

Daniel W. Bell, President  
Washington, D. C.



Member Federal Deposit Insurance Corporation—Member Federal Reserve System



# new

## Lathem

## TIME STAMP

Lathem Time Stamps record year, month, date, AM and PM, hour, minute—even second, if desired. Upper and lower die plates can be installed to print a complete record of WHO—WHEN—WHAT—WHERE. Lathem Time Stamps provide time control of paper work—prevent delays—fix responsibility.

- Pin Point Position Indicator prevents overprinting
- Exclusive Dual Registration stamps automatically or manually
- Six-sided Word Roll replaces upper die plate if desired
- Many additional optional features available

**Lathem Time Recorder Company**  
 76 Third Street, N. W.  
 Atlanta 3, Georgia

Time is important to me. Please send at no obligation information and prices on the new Time Stamp.

Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_

**LATHEM TIME RECORDER COMPANY**

# COLOMBIA



*Efficient Services through*

## BANCO DE BOGOTA

Oldest established and largest Bank in Colombia  
MARTIN DEL CORRAL, PRESIDENT

- Special attention to collections
- Accurate and dependable credit information service



120 BRANCHES

### TOTAL ASSETS:

More than \$ 870 Million Pesos  
(Aproximately US. \$ 160.000.000)

### TOTAL COLOMBIAN FOREIGN BUSINESS:

	Imports	Exports
1956: US. \$	655.000.000	607.500.000
1957: US. \$	403.080.000	449.628.000

(excepting gold exports)

## BANCO DE BOGOTA

ESTABLISHED 1870 • BOGOTA, COLOMBIA S. A.

do you need

modern-designed  
hand and machine  
posting; savings and  
commercial passbooks

Samples and Prices on Request

**WILLIAM EXLINE INC.**

1270 Ontario Street • Cleveland 13, Ohio



ognize it as directed to them makes more women want to read it.

The most common way to flag an advertisement for women is to feature at least one woman prominently in the principal illustration. Women identify themselves with the woman pictured; if there is no woman there or she is lost in the crowd, the advertising will be rapidly screened out by many. Other appeals to women in the headline or copy will also heighten feminine readership as will a feminine-looking format or the name of an organization with which women are accustomed to dealing.

### Using Appeals of Maximum Effectiveness

There is the story of the wealthy young advertising manager who refused to buy Sunday afternoon advertising on TV because he believed everyone would be at the polo game at that time. This seems ridiculous to us who don't go to many polo games. Yet the thinking behind many of the messages put out for women by all-male institutions must seem equally ridiculous to feminine readers, and for precisely the same reason—a lack of the right experience.

A young woman once remarked that a gift meant a lot to her because when a man said nice things, one might come to forget exactly what he said—but a gift remained unchanged as testimony of his feelings. This combination of gentleness and practicality is easily recognizable as a feminine viewpoint. And many other traits can be just as quickly identified.

To be fully effective, bank selling efforts directed to women should make at least some of their appeals in terms of purely feminine traits.

### Reaching Groups of Women

Practically any man knows how to address individual women. It is when appeals must be developed to women in the mass that both courtesy and common sense often fly out the window. Men under these circumstances are likely to jump at some single generalization about women — "Women like children, don't they?"—and proceed on that one hypothesis. They then turn to whatever woman is nearby and ask her judgment as to the effectiveness of the appeal to women.

This procedure can be refined and strengthened if it can be remem-



bered that, even in masses, all women are not alike.

Janet Wolff points out in her book "What Makes Women Buy" that there are at least five feminine markets for the general advertiser. While banks cannot splinter their messages into so great a number of categories her list helps to break the mass into recognizable groups:

#### Five Kinds of Women

(1) Adolescents — wanting products and services that offer acceptance by their group, independence of parents, help with boys.

(2) Housewives — wanting ways to escape routine and to "fill loneliness." Young mothers are interested in time-saving ideas and advice on child care.

(3) Working wives — wanting ways of handling their two jobs and a rationalization for their working, particularly if they have children.

(4) Single girls — wanting success with and ways of meeting men. Also need services making it easier to do things by themselves.

(5) Mature women — wanting a useful, respected place in society, worthwhile activities and solutions to their living problems.

The needs of these categories of women, derived from a considerable amount of motivation research, suggest a variety of new approaches to the problem of developing stronger advertising appeals.



"Why don't you work like other people, Grandpa? You just sit!"



## DON'T TAKE CHANCES ON INVENTORY! Field Warehousing Eliminates the Risk

To take the gamble out of inventory loans, it is of the utmost importance to have exact knowledge of the quantity, age, value and rate of movement of inventory. A glance at our readily understandable monthly Value and Stock Report gives you a complete picture of what has taken place—what the present position is—what the prospects are. And that is not all. When you specify New York Terminal you get the additional security of our record of unquestioned bailment backed by our resources and the broadest Fidelity and Warehouseman's Legal Liability Insurance in the industry. Write today and let us show you how you can profitably extend inventory credit with minimum risk at a lower cost to you and your customers.

## NEW YORK TERMINAL WAREHOUSE COMPANY



OPERATING OFFICES IN PRINCIPAL CITIES  
25 South William Street  
New York 4, New York

IDEAL FOR BRANCH OFFICES!  
NO EXPENSIVE INSTALLATION!  
ADD UNITS AS NEEDED!

# FENCO

Mobile

## TELLER UNITS

...with



"Bank Engineered Features"



ROLL  
under  
counter

STEP  
on  
brake

READY  
for  
service

FENCO Mobile Units keep currency intact—always SAFE—never leaves the unit. Roll to and from vault with ease. 19 Stock Models. Modern banking features include:

- \* P.K. Locks on Drawers
- \* "Spy Proof" Combination Lock on Door
- \* Heavy Duty Ball Bearing Rubber Tire Casters
- \* Lustrous finish in modern Gray, Beige and Desert Sage
- \* Locking Lugs in back of Door
- \* Removable Currency Tray

EXCLUSIVE: FENCO Foot Brake locks unit to floor. Tip-Toe release.

GUARANTEE: Materials and workmanship unconditionally guaranteed. Replacement Free of charge.

FENCO dealers in most principal cities. Or write Dept. B, for your nearest dealer and valuable descriptive folder.

**FENCO CORPORATION**  
121 Seventh Ave., New York 11

# Your

# Family

# Bank

THE first advertisement scheduled by the Foundation for Commercial Banks has been published in five national magazines with a combined circulation of more than 42,000,000. It appeared as a full page in the September 22 *Life*, *Time*, and *Newsweek*, Sept. 19 *U. S. News and World Report*, and as a two-page spread in October *Reader's Digest*.

### "Family Bank"

The ad's special target is the 32,000,000 Americans—"rolling stones"—who moved last year. Copy is illustrated by a large drawing of a young family moving into a new house. In the scene a banker appears as a photograph; he's welcoming the family. Copy emphasizes that the best and quickest way to put down financial roots in a community is "by making friends down at the bank" and using the "complete banking services available only at your family bank."

### Services

Six of the services are listed:

"1. Earn guaranteed interest on your savings, confident that you can withdraw them whenever you want.

"2. Save time and money—and have a permanent record—when you pay bills by check.

"3. Build, buy or improve your home with a loan at low bank rates.

"4. Meet other family needs—the new car, college tuition, emergencies—through confidential personal loans.

"5. Help the growth of your business—whether farm, industrial, commercial or professional—through easily arranged loans and experienced counsel.

"6. Build personal and financial standing in the community through your family bank relationship."

Morris R. Brownell, Jr., chairman of the Foundation trustees, said subsequent ads would put the emphasis on specific bank services.

## NEW DELBRIDGE INTEREST TABLES

most complete book  
ever published on

*Pre-Calculated*

### INTEREST ANSWERS!

So handsome... so practical! A real *must* for every financial institution that wants to increase efficiency... cut down costly computing errors. New DELBRIDGE Interest Tables give you *guaranteed accurate, pre-calculated* interest answers in seconds! No longhand figuring... no expensive calculating machines!

Cover principal amounts from \$1.00 to \$500,000.00... interest rates of  $\frac{1}{8}\%$  through 12% in graduated steps... time periods from 1 day through 180 days, then by months to 12 months. Basis 360 days per annum; interest factor treats 360 and 365 day basis. Interest factors treat  $\frac{1}{8}\%$  to 6% in  $\frac{1}{8}\%$  steps. Features elapsed time and maturity indicator. Luxurious-



looking leatherette cover... loose-leaf bound... built to last a lifetime. 506 pages,  $8\frac{1}{4}" \times 10\frac{1}{2}"$ .

See for yourself—without obligation—the many outstanding and unusual advantages you can enjoy only with the *new* DELBRIDGE Interest Tables. Just mail coupon for FREE 10-day trial!

### FREE TRIAL COUPON!

DELBRIDGE CALCULATING SYSTEMS, INC.  
2502 Sutton Ave., St. Louis 17, Missouri

Without obligation, send the DELBRIDGE Interest Tables plus the separate 7-year Commerce & Finance Calendar as an extra bonus! We will approve your invoice for \$25.00 (plus postage) within 10 days, if we keep the tables and calendar.

Name.....Title.....

Bank Name.....

Address.....

City.....Zone.....State.....

# Coverage...

Here is a title-breakdown of  
**BANKING'S** total PAID subscription\* circulation

BANK OFFICERS AND OTHERS	SUBSCRIBERS	PERCENTAGE OF TOTAL
Presidents . . . . .	11,617	31.37
Directors, Board Chairmen, Trustees . . . . .	6,090	16.45
Executive Vice-presidents, Vice-presidents, Assistant Vice-presidents, Trust Officers, Treasurers, Secretaries, Attorneys, Public Relations, Auditors, Personnel and Comptroller . . . . .	5,852	15.80
Other executives: Department Heads, Supervisory and Branch Managers . . . . .	4,545	12.27
Cashiers . . . . .	1,248	3.37
Bank Employees . . . . .	1,703	4.60
Banks . . . . .	1,767	4.77
Government—Officials and Departments . . . . .	270	0.73
Colleges and Libraries . . . . .	2,564	6.92
Miscellaneous . . . . .	1,146	3.10
Awaiting Classification by Business & Industry . . . .	230	0.62
	<hr/> 37,032	<hr/> 100.00

\*For the issue of May 1958, as filed with the Audit Bureau of Circulation.

If it's coverage you want, consider this fact: **BANKING'S** predominant reader-audience is a concentration of executives at the *top* and those *headed* for the top.

Bankers need a magazine whose editorial formula is **COMPLETE—AUTHENTIC**. **BANKING** fills the bill! Surveys show that **BANKING** is their first choice for regular month-to-month reading.

Why? Because they get everything—news, views, trends, statistics, business building ideas—everything they need, carefully selected.

That is why **BANKING** is an advertiser's most economic choice to reach bankers. Let it help you cultivate these important readers.

*Complete . . . Authentic*

# BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

12 East 36th St., New York 16, N. Y.



## Tip the Scales in Your Favor!

Your display ad in Polk's Bank Directory costs so little to mean so much. It turns a prospect's indecision into prompt action because you give your sales message at the same moment he needs your services. Write for our rates today.

**R. L. POLK & CO.**  
*Publishers*  
Nashville 3, Tennessee

## Trust Control Problems

**I**F the trust department isn't large enough to justify a full-time auditor, a staff member should serve as trust control officer on a part-time basis, suggests William C. Whitney, cashier, Old Kent Bank and Michigan Trust Company, Grand Rapids.

Reporting directly to the president or the chairman of the board, this person should be responsible for determining that employees, particularly those who handle cash and securities, be rotated on their jobs and that everyone takes an annual vacation. He should also see to it that departmental duties are allocated along these lines:

(1) The officer or employee who receives and distributes property, originates entries, and authorizes disbursements of cash should not post the records.

(2) Assets should be under dual control of two officers or employees who should understand the reasons for deposit and withdrawal of assets. A system of numbered forms should be used on all asset movements, and a copy should be routed to the trust control officer.

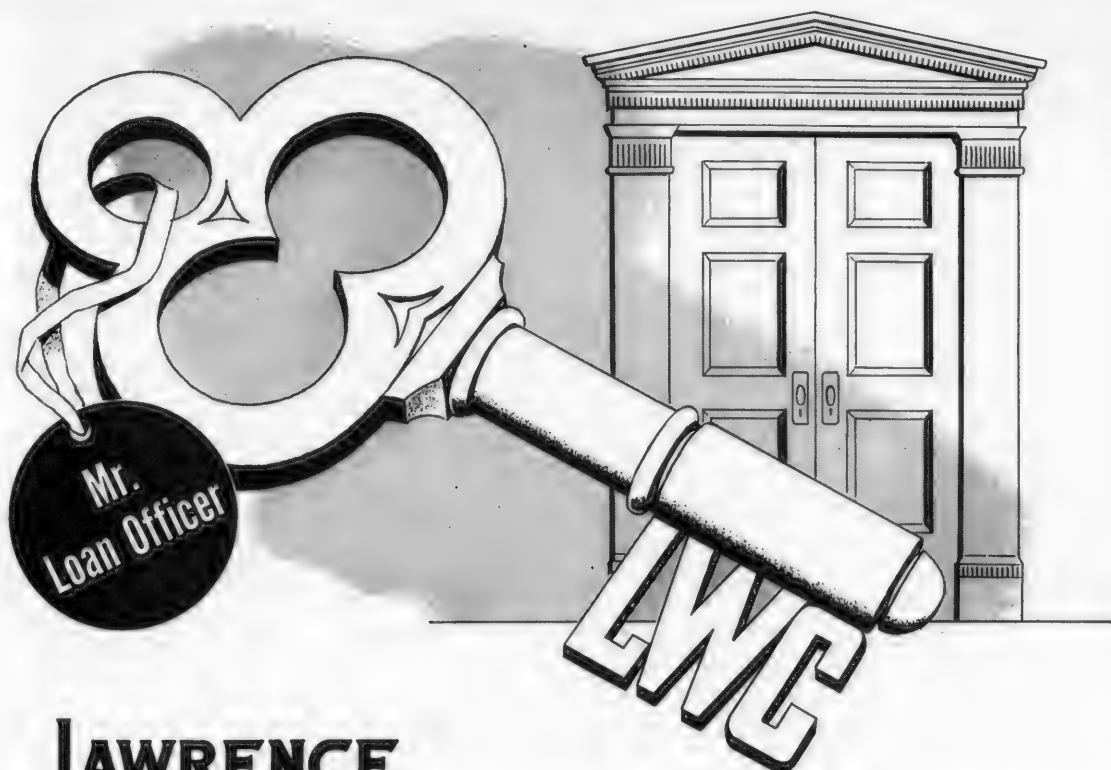
(3) Disbursements should be made only by checks or vouchers requiring two signatures. Both persons authorized to sign checks should understand that they are jointly responsible for the disbursements.

(4) There should be audit control over checks, receipts, and other serially numbered forms.

(CONTINUED ON PAGE 132)







# **LAWRENCE**

## **FIELD WAREHOUSE RECEIPTS ARE YOUR KEY TO SECURED LOANS**

Inventory financing through Lawrence Field Warehouse receipts is an important method of credit accommodation. Lawrence receipts enable you to convert your open lines to safe, secured loans. So, Mr. Loan Officer, make valued friends of customers—new and old—by recommending Lawrence Field Warehouse service.

LAWRENCE ON WAREHOUSE RECEIPTS



... IS LIKE CERTIFIED ON CHECKS

# **LAWRENCE WAREHOUSE COMPANY**

**NATIONWIDE FIELD WAREHOUSING**

37 Drumm Street, San Francisco 11, California

100 N. La Salle Street, Chicago 2, Ill. • 79 Wall Street, New York 5, N. Y.

OFFICES IN PRINCIPAL CITIES

## BANCO COMERCIAL ANTIOQUEÑO

Established 1912

Head Office: Medellin, Colombia, South America  
with 45 Branch Offices in Colombia

Cable address for all offices—Bancoquia

Reliable and responsible commercial and financial information supplied by the Banco Comercial Antioqueño is supported by our 45 years' experience growing with Colombia, and the complete facilities of our 46 offices located in every important commercial market of the country.

We invite your inquiries.

Antonio Derka, General Manager

Capital paid-up \$27,715,000 — Pesos Colombian.  
Legal reserves \$29,420,000 — Pesos Colombian.  
Other reserves \$ 6,195,000 — Pesos Colombian.

(CONTINUED FROM PAGE 130)

(5) Establish a tickler system for the receipts of periodic income, for disbursements and distributions, and for fees. Verification of income receipts should be made by the trust control officer.

(6) All trust assets should be counted annually to verify their correctness and physical location.

(7) National banks should have a program for indicating whether provisions of Regulation F, with respect to investments, distributions, uninvested cash, and auditing, are being carried out.

(8) An administrative audit program should be in effect to determine that provisions of the trust instrument are being carried out in accordance with the wishes of the customer or the fiduciary regulations governing undocumented accounts such as guardianships and administratorships.

Mr. Whitney, who expressed his views at a NABAC conference, recommended that in trust departments of this size—i.e., those without a full-time auditor—"serious consideration be given to retaining public accountants to conduct an annual examination."

### Comparative Earnings Reports to Directors

MONTHLY earnings reports to the board of directors can be so presented that they will have audit

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**BANKING**



"You must know my husband—the little skinny fellow who's on a low income diet"

value, says Ernest M. Zollers, cashier, The Peoples National Bank of Norristown, Pa.

Each type of income and expense is indicated, and a comparison is made between the current and the preceding months, he told the Pennsylvania Bankers Association Summer School. Comparisons are possible with earnings for the year to date and those of the previous year, and also with estimated budget earnings and expenses.

Although these comparisons may not be too meaningful from an audit viewpoint, they indicate an increase or decrease in the rate of income earned and in the rate of expense. The control officer must determine the reasons for changes so that he can be certain an unfavorable variation is not the result of improper reporting of income or expense, or of wrong-doing.

Comparative reports give each director an opportunity to analyze the banks earnings and to question any apparently abnormal or irregular change, Mr. Zollers said.

*It is dangerous to annoy a bee, or a man who is minding his own business.*

When any citizens demand a special privilege, it's bad; but it's worse if they get it.

*If a man can build a better mouse trap than his neighbor, the other mouse trap makers will beat a path to his door to see how he made it.*

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# Why Businesses Fail

This material is prepared for **BANKING**  
by **Dun & Bradstreet, Inc.**

**A**LTHOUGH the failure rate remains considerably below 1939 levels, commercial and industrial failures are running substantially higher this year than last. In 1958's first seven months, 9,324 U. S. concerns failed, compared to 8,148 for the same period of 1957. Comparing total failure liabilities, the contrast is even greater: \$468,000,000 v. \$381,000,000.

Why did they fail? Underlying causes include neglect, inexperience, incompetence, fraud, disaster, etc.

Apparent causes, or more immediate failure reasons, are listed in the accompanying table, which shows how they varied in importance depending upon the size of failure liabilities.

For both large and small failures, the most frequent apparent cause is inadequate sales, but this problem figured in 57% of the failures with liabilities under \$5,000 compared with 40% in failures of \$100,000 or more. Heavy operating expenses, receivables difficulties, inventory difficulties, and excessive fixed assets were all causes to the extent of 10% or more of the largest failures. For the failures under \$5,000, they were

less important, and accounted for 3, 7, 5, and 4%, respectively. Moving from the small failures to the large ones, competitive weakness becomes a less important cause, as does poor location.

While failures, defined as business closings that are likely to end in loss to creditors, represent only a small fraction of total business withdrawals, their effect, as seasoned observers well know, is often like a ripple in a pond that spreads financial problems to a wide circle of suppliers.

Rare indeed is the businessman who takes the lighthearted attitude toward failure exhibited by the music store proprietor who posted on his window, next to the auction notice of the receiver, the "bop note" that his business was "Real Gone."

## Percentage Distribution of the 9,324 U. S. Business Failures in the First Seven Months of 1958 by Failure Causes and Size of Liability

APPARENT CAUSES	SIZE OF LIABILITIES			
	Under \$5,000	\$5,000- \$24,999	\$25,000- \$99,999	\$100,000 and over
Bad habits.....	0.6%	0.8%	0.6%	0.1%
Poor health.....	2.2	2.1	1.5	0.9
Marital difficulties.....	0.6	0.3	0.3	0.2
Misleading name.....	....	0.0	0.0	....
False financial statement.....	0.2	0.3	0.3	1.4
Premeditated overbuy.....	0.2	0.1	0.1	0.4
Irregular disposal of assets.....	0.9	0.9	1.8	3.3
Inadequate sales.....	57.1	57.2	49.6	40.5
Heavy operating expenses.....	3.3	4.4	7.1	11.5
Receivables difficulties.....	6.7	9.1	13.5	16.7
Inventory difficulties.....	5.3	8.6	9.7	11.6
Excessive fixed assets.....	3.7	5.8	10.1	12.4
Poor location.....	3.9	2.9	1.9	1.1
Competitive weakness.....	22.9	19.9	19.3	14.8
Fire.....	0.4	0.7	0.7	0.7
Flood.....	....	0.1	0.2	0.3
Burglary.....	0.0	....	....	0.1
Employees' fraud.....	....	0.0	0.1	....
Strike.....	....	0.0	0.1	0.2
Other.....	3.9	4.5	6.7	9.5

Because some failures are attributed to a combination of apparent causes, the totals of these columns exceed 100%.

Not every concern that goes out of business is a failure. Most of the withdrawals from business are due to change in ownership and voluntary liquidations in which there is no indication of loss to creditors. A business failure involves a court proceeding or voluntary action which is likely to end in loss to creditors. Withdrawals may actually be profitable liquidations, although the majority involve some loss to personal capital.

SOURCE: Dun & Bradstreet, Inc.

## Washington

(CONTINUED FROM PAGE 42)

mercantile economy pay larger salaries to their executive officers."

The table, by the way, is most interesting and worth the trouble to request a copy from the Comptroller of the Currency, c/o U. S. Treasury, Washington 25, D. C. It shows, for instance, that the highest paid officer ranges from \$4,764 a year in banks with deposits of less than \$1,000,000 to \$20,145 in banks of \$20,000,000 to \$25,000,000. And the third highest paid officer in these categories ranges from \$2,460 to \$10,581.

### Background of the Pension Legislation

Behind the hassle over the bill (now law) calling for disclosure of welfare and pension fund plans and information was some interesting legislative maneuvering. Pressure for this legislation has been mounting for a number of years. After the recent disclosures of the McClellan Committee, which revealed extensive abuses of these funds by labor leaders, this pressure came to a head and some kind of legislation in the field became inevitable this year.

The unions, accordingly, made a big gesture of baring their backs for this chastisement, except for John L. Lewis's United Mine Work-



ers, who had a clean bill of health and, anyway, did not cotton to the idea of full disclosure. At the same time, the unions insisted that, if they were going to have to submit to this, then employer plans should also be dragged in.

On the surface this appeared reasonable. The A.B.A. made a strong case to show that the plans of many banks that qualify for tax exemption are already well supervised by the Internal Revenue Service.

This legislation started in the Senate with the Douglas-Kennedy bill (S. 2888). This was a registration and disclosure measure that gave the Labor Department supervisory powers. Only plans covering 100 or less employees were exempted.

During the Senate debate Senator William F. Knowland of California, minority leader, made a determined effort to add the provision of his labor reform bill as amendments to S. 2888. He failed in that, but he did succeed in committing the Democrats to bringing out "a labor reform bill," something they did not appear to want to hazard in an election year.

The bill they brought out June 10 was the Kennedy-Ives bill which played such an important part in insuring the passage of the welfare and pension legislation.

#### A "Tougher" Measure

The fact that Kennedy-Ives was controversial and might not get through this session made the House leadership that much more determined to push through the welfare and pension bill as something that could be cited in campaign as labor reform legislation. House Speaker Sam Rayburn of Texas held the Kennedy-Ives bill on his desk for 41 days to make sure that the House Labor Committee would not get involved in a squabble over two bills and come up with none.

The House would not accept the Labor Department supervision that the Senate bill called for. The House bill, which was drafted by Representative Ludwig Teller of New York, shifted the burden of policing the funds from the Labor Department to the employees involved. It provided that they can demand reports about their funds and that two copies of each of these reports must be filed with the Secretary of Labor.

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easier to handle  
mortgage business



**Mortgage & Loan Life Insurance** makes good sense in any loan situation. Should the borrower die, you are assured payment of the loan balance. And, American Life's M&L Insurance can save you the expense of having to foreclose on mortgages, with resulting unfavorable effect on your public relations.



**Errors & Omissions Insurance**, the new, improved form, offered by American Surety, protects you from loss through errors or omissions—an ever-present risk of loss in handling mortgage loans. *For instance, against legal liability should a fire or homeowners policy fail to be renewed and be followed by a fire or other insured loss.* And, as always, E&O Insurance protects against your direct loss due to errors or omissions in handling coverage on mortgaged property.

*Take these two steps toward sounder, easier-to-handle mortgage business now! Call our agent in your community—or write us if you're not sure of his name.*

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*Write Box OB for details*

*Chalk up a score for School Thrift and the new IBM-process PASSBOOK. Short cuts detail of present machine systems. A thrifty step for school savings . . . reduces time spent on internal work.*

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## Tax Responsibilities

(CONTINUED FROM PAGE 64)

Payment by the employer of withheld income and FICA taxes is reported on Form 941 and is made in the form of "depository receipts" as described below, cash, check or money order. The annual FUTA tax payment must be reported on Form 940. In depositing taxes with the Federal Reserve Bank or authorized commercial bank the employer should use Form 450, called Federal Depository Receipt. The employer's depository receipt will be validated and mailed back to him. All the validated receipts should be forwarded with the return to which they relate and with other remittances, if any, to the District Director of Internal Revenue.

### Records Kept for Four Years

Subject to penalties, employers must furnish employees with information on taxes withheld from them, and must also, when filing returns on Form 941 for the fourth quarter, transmit copies of all annual Form W-2 withholding statements for the year along with the annual Form W-3. Where an employee's compensation of \$600 or more is not fully covered by W-2 forms, the employer must also file Form 1099.

Employers subject to employment taxes are required to keep available for inspection all records relating to the above-mentioned taxes for at least four years after the date the taxes to which they relate become due or are paid, whichever is the later date.

"I gather your object is to lick the recession single-handed!"



# New advertising campaign for commercial banks aims at larger share of savings accounts

*Checking accounts, personal loans, home loans  
among other services to be promoted*

"Our savings account business needs a shot in the arm," points out Morris R. Brownell, Jr., Chairman of the Foundation for Commercial Banks. And he called on bankers to sell the use of this and other services by supporting the Foundation's co-operative national advertising program—the first ever sponsored by commercial banks.

"We're all aware of the savings problem," Mr. Brownell says. "While the total amount of money deposited with banks has grown since the war, the amount deposited with our competitors has grown *faster*. As a result, we have suffered a sharp decline in our share of savings account money—the life-blood of our system. And competition for savings is getting still keener."

## *Here's what the Foundation is doing about it*

The Foundation for Commercial Banks has been formed to conduct an advertising campaign to benefit *all* commercial banks—large and small. The program, prepared in consultation with banking leaders, will encourage more people to use more banking services, build preference for commercial banks over non-bank competitors, stress the value of the bank relationship and improve public attitudes towards banks and bankers.

Each advertisement will concentrate on a different banking service—checking accounts, personal loans, home loans, loans to business. But perhaps no other subject will get as much attention as *savings accounts*.

## *Your contribution is needed to make this program as effective as possible*

Advertisements begin September 22 in Life, Time and Newsweek, September 19 in U. S. News and World Report, and in the October Reader's Digest . . . and will continue on a monthly schedule thereafter. These magazines reach 85% of all American homes within a year.

Each bank is asked to join for a period of two years to permit long-range planning, although only one year's contribution is requested at this time. And to encourage the widest participation, the pro-rata cost is being kept down to only \$5 per million of deposits.

**Now is the time to act!** The cost is nominal. The opportunities are great. *So compute your contribution on the coupon below, and mail it as soon as possible.*

**Foundation for Commercial Banks**  
Philadelphia National Bank Bldg., Philadelphia 1, Pa.

Morris R. Brownell, Jr.,

Chairman, Foundation for Commercial Banks, Lock Box #8206, Philadelphia 1, Pa.

Our bank will contribute to the fund for co-operative advertising on the following basis: \$5 per million of deposits for each of the next two years, beginning July 1, 1958, adjusted to the nearest million based on

the deposit figure of preceding year end. Minimum contribution per year, \$5—maximum contribution, \$15,000. It is understood this contribution is deductible for Federal income tax purposes.

Signature \_\_\_\_\_

Title \_\_\_\_\_

Deposits (Dec. 31, 1957) \_\_\_\_\_

Bank \_\_\_\_\_

Contribution \_\_\_\_\_

Address \_\_\_\_\_

Date \_\_\_\_\_

City & State \_\_\_\_\_

## News for Country Bankers

(CONTINUED FROM PAGE 88)

Yugoslavia, Tunisia, Jamaica, and Thailand were among the nations represented by this study group.

The visitors spent three days in Norwich, N. Y., where Otis A. Thompson, president, and Nicholas A. Jamba, vice-president, The First National Bank and Trust Company, acted as host coordinators and led the discussions of agricultural credit and other bank services to farm customers.

The "Agricultural Cooperative Training Course" was also conducted under the auspices of the International Cooperation Administration in cooperation with the U. S. Department of Agriculture.

The foreign students included Patricio Crespo Pareja, business manager of Servicio Cooperativo Interamericano de Agricultura, Bolivar, Ecuador; Clinton Hanover Bain Cresser and Prince Albert Golding, cooperative marketing officers, Agricultural Extension Service, Organizational and Marketing, Jamaica Agricultural Society, Jamaica, British

West Indies; Pakdi Im-Erb Thama, chief, Training Section, Division of Cooperative Technique and Promotion, Office of the Under-Secretary, Ministry of Cooperatives, Bangkok, Thailand; Mohamed Rachid M'Sadek, student, Tunis, Tunisia; Mohamed Redissi, student, Bizerte, Tunisia; Rifat Unaydin, specialist of economics at the Directorate Technical Agriculture, Ministry of Agriculture, Kutahya, Turkey; Milinko Scepanovic, agricultural economist, Executive Council of Serbia, Belgrade, Yugoslavia; and Vlaho Bubica, head, Agricultural Division, Economic Planning Board of Bosnia, Sarajevo, Yugoslavia.



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## Wheat Produced, Consumed

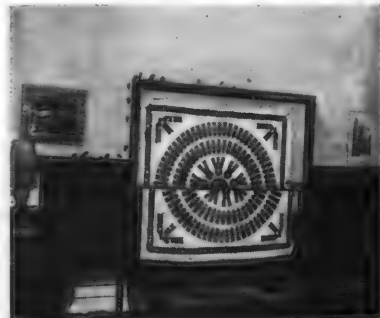
**I**N 1958 American farms will produce more than twice as much wheat as half a century ago; however, in 1958 the average American consumer is eating only a little more than half as much wheat as he used to, according to the Family Economic Bureau of the Northwestern National Life Insurance Company.

While the American farmers produced 683,000,000 bushels of wheat in 1909, in 1958 they will harvest 1,420,000,000 bushels, according to the latest USDA estimates.

Although the population of the United States has nearly doubled in the same period, our nation of 170,000,000 Americans will consume almost exactly the same total amount of wheat for food in 1958 as 90,000,000 Americans ate in 1909—about 475,000,000, the bureau states.

In 1909 Americans consumed 5¼ bushels of wheat per capita in foods. In 1958 they will consume about 2¾ bushels per capita.

P. F. Friedel, Viola, Del., Holstein breeder, has won many prizes with his cattle. A quilt made of the ribbons won by the Friedel herd was displayed in the lobby of the Farmers Bank of the State of Delaware, Dover





*Growing with California*



**Now!**  
**100**  
**OFFICES**

**THROUGHOUT CALIFORNIA**

**-and Total Resources  
of more than  
ONE BILLION  
DOLLARS**

**First Western Bank**

**AND TRUST COMPANY**

Head Office: 405 Montgomery Street, San Francisco

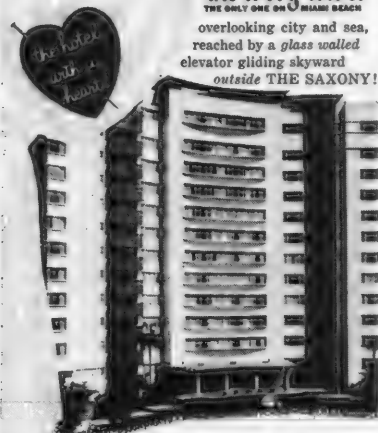
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elevator gliding skyward  
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400 luxuriously NEW rooms,  
magnificently ENLARGED facilities...  
a fabulous setting for The Saxony's smart  
service and famous food; new meeting, display  
and catering facilities now enable The Saxony  
to accommodate formerly-unacceptable  
requests for large groups.

Arrangements should be made now for space and  
facilities at THE SAXONY during the  
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COCKTAIL PARTIES • LUNCHEONS • DINNERS  
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Our designers will create special covers  
to meet your requirements. Without obli-  
gation submit your present passbooks  
for special redesigns and quotations.

**WILLIAM EXLINE INC.**  
1270 Ontario Street • Cleveland 13, Ohio

## How Banks Tele-sell

(CONTINUED FROM PAGE 74)

The other, and probably more im-  
portant, is the direct selling persua-  
sion for the many services a bank  
has for public sale. We have found  
television can do both jobs well."

A cardinal principle in all First  
National advertising is to promote  
one service at a time. The bank  
feels that it thus makes a strong  
and lasting impression.

Filmed commercials are used ex-  
clusively for the spot announce-  
ments; animation is heavily empha-  
sized. For special event and syn-  
dicated film programs live and filmed  
commercials are rotated. Live sell-  
ing messages are handled by a  
former basketball star.

### The Bank's "Hank"

Half Dollar Trust and Savings  
Bank, Wheeling, W. Va. This insti-  
tution uses morning television and a  
bank officer with a warm, friendly  
personality. A 5-minute newscast at  
8:25 A.M. Friday reaches a family  
audience at a low cost.

Vice-president Hank Dwindell, the  
spokesman, is known to the public  
as "Hank from the Bank"; after his  
TV appearances he is available at  
the bank to meet people who have  
seen and heard him on their home  
screens.

The bank's video campaign is built  
on the theme of friendliness and  
neighborliness — a positive image.  
The commercials sell, not a specific  
service, but the general concept of  
doing business with a bank that  
wants to be helpful.

"We consider this a highly success-  
ful campaign," comments Executive  
Vice-president John J. Nash.

### TV Top in Recall

First National Bank of Atlanta.  
Has alternate week sponsorship of a  
popular network interview program;  
also 10 spot announcements a week.  
Commercials emphasize convenient  
location and varied services. On the  
network show, a local personality  
does the selling, with the help of  
visual props as attention getters.

Vice-president George Goodwin  
says that in the bank's annual con-  
sumer study one question asks  
how people have seen or heard  
about the advertising. "In testing  
media each year, television shows

**SERVING**  
all types of  
**FINANCIAL**  
**INSTITUTIONS**

Licensed in all 48 States,  
D.C. and Hawaii with  
Regional Service Offices  
Coast to Coast

**Credit Life**

**INSURANCE COMPANY**

**Springfield, Ohio**

**When Every Word Counts!**

COUNT ON...

**DIXON**

**TICONDEROGA**

PENCILS

up consistently at the top in terms of recall." Video gets 25% of the budget.

### Impression

*First National City Bank of New York.* Currently sponsors six 10-minute newscasts weekly and one 5-minute weather and sportscast. The selling messages are straightforward and "homey," covering all phases of the bank's activities. Numerous TV techniques are used: live, film, cartoons, visual aids. Documentary case histories are filmed, sometimes inside the bank. Live commercials are occasionally based on interviews with bank personnel.

Vice-president Granville S. Carrel says that probably the most valuable return First National City has had from TV is a long-term, close relationship with the public. "Viewers may not be persuaded in one night, but our programs do establish an association that is likely to flower at some future time. Thus our television sponsorship gives the bank a character which the public retains."

### Identification

*Bank of the Southwest, Houston.* Currently buys 10-second identification campaigns on three Houston-Galveston stations, sponsors two 5-minute segments of a network news feature, and buys TV coverage of special events, including election coverage. This year it has 19% of the advertising budget into television, a 30% rise over 1957.

William B. Black, Jr., advertising director and vice-president, says: "We feel that television has contributed greatly to the rate of growth of Bank of the Southwest, and we plan to use it even more in the future."

### Talented Teen-agers

*Albany (N.Y.) Savings Bank.* Now sponsors "Teen Age Barn," a half-hour live local program showcasing talented youngsters in the station's 3-county coverage. Commercials pitched to create the image of a helpful business neighbor. The bank receives a large fan mail praising its support of the teen-agers.

President James Davie reports that in the six years the bank has used TV, deposits have risen 37%. A third of its ad budget is now in television.

## Overseas Dollar

(CONTINUED FROM PAGE 49)

ports, and the like. The effect on the standards of living and welfare of the whole world would be drastic, indeed.

The earnings of our foreign investments, now so large, are important to us as well, viewed simply on financial grounds. These earnings, chiefly on direct investments, now so large, approximate \$3.5-billion. In 1956 earnings on direct investments alone totalled \$3,134,000,000, of which \$2,160,000,000 was transferred to the U. S. and the rest reinvested. The figures compare with total corporate earnings in the U. S. after taxes of about \$20-billion in 1957. Foreign earnings are becoming important for many American companies.

A Commerce Department breakdown of our direct foreign investments in 1956, the last year for which the details are available, shows they were geographically distributed as follows: around a third each in Canada and Latin America; some 15% in Western Europe, and more than \$1-billion in the Middle East, where oil is the big investment.

The industry breakdown of direct investments shows about one-third each in oil and manufacturing. Mining accounts for around \$2.4-billion; public utilities for \$1.7-billion; trade and distribution for \$1.4-billion; and all other direct investments for \$2.3-billion. Of all these, the fastest growing since 1956 has been oil.

### Banks and the Export-Import Bank

American banks have been putting more funds than previously in foreign credits and loans, short and medium-term. For one thing, they have been taking participations in loans made by the Export-Import Bank. In this way they have been contributing substantially to the development of the world economy. In the year ended June 30, 22 private financial institutions participated in the bank's credits for a total of \$232,500,000.

American short-term banking loans abroad, which at the end of 1953 totalled \$904,500,000, by the end of March 1958 amounted to around \$2.3-billion. The climb since 1953 has been steep.

The largest amount of such loans is accounted for today by Latin America: nearly \$1-billion, more than a fifth of which is owed by Mexico, followed by Brazil, Venezuela, and Cuba. Europe received about \$673,000,000, with the largest shares going to Germany, France, and Britain. Asia, Canada and all other countries make up the rest of the \$2.3-billion total of short-term banking claims.

### Mexico, Brazil, Japan, Germany

Mexico's total of \$219,000,000 is not only the largest in Latin America, but the largest anywhere. Germany's \$130,000,000 short-term debt to U. S. banks is exceeded by Brazil's \$168,000,000 and Japan's \$138,000,000.

As an encouragement to direct investment abroad, the International Cooperation Administration provides convertibility and expropriation insurance. Through June 1958 guaranties of both types issued since the start of the program aggregated \$206,800,000. Of this, the amount outstanding at mid-1958 was \$161,900,000, covering 171 different guaranties.

### Trend Toward More Government

Most of the recent changes in the foreign investment picture have been in the direction of greater Governmental participation and management. Congress passed an additional \$400,000,000 for the Development Loan Fund, started in 1957, bringing its capital to a total of \$725,000,000. The President has also proposed development loan agencies for special areas including Latin America and the Middle East, in addition to urging an increase in World Bank resources. The capital of the Export-Import Bank was increased last year by \$2-billion.

Fortunately the management of both the latter institutions has been so dedicated to sound banking principals as to win the disapproval of that highly vocal group who believe that foreign investments should be "imaginative" and "flexible."

Subsequent parts of this survey will deal with these developments and especially the extraordinary potential for world development that exists if we do not let political lending drive out productive, straight business transactions.

WILLIAM R. KUHN

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## Financial Handbook



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## New Books

**THE VOLUME OF MORTGAGE DEBT IN THE POSTWAR DECADE**, By *Saul D. Klamman*. National Bureau of Economic Research, New York. 143 pp. \$2. Provides "the most complete and consistent set of statistics yet available on total amounts of mortgages outstanding on different types of properties, and on holdings by main groups of investors, particularly financial institutions."

**NEW FEDERAL ESTATE TAX REGULATIONS**. Commerce Clearing House, Chicago. 115 pp. \$1.50. Official text of regulations filed June 23, 1958.

**PERSONAL FINANCE: PRINCIPLES AND CASE PROBLEMS**. By *Jerome B. Cohen and Arthur W. Hanson*. Richard D. Irwin, Inc., Homewood, Ill. 819 pp. \$7.80. New, revised edition of a layman's guide to the management of money. It offers information on such matters as insurance, taxes, borrowing, lending, saving, home-buying, budgeting, investments, wills, trusts, and estates.

**AND MARK AN ERA**. By *Melvin T. Copeland*. Little Brown, Boston. 368 pp. \$6. This story of the Harvard University Graduate School of Business Administration covers that institution's first half century.

**ANTITRUST POLICIES**. By *Simon N. Whitney*. Twentieth Century Fund, New York. 2 vols. \$10. A new study-in-depth that examines the workings of antitrust legislation and its influence on the course of the American economy.

**BUSINESS BAROMETERS FOR PROFITS-SECURITY-INCOME**. By *Roger W. Babson*. Harper, New York. 358 pp. \$5. The eighth edition of a book first published in 1940 under the title "Business Barometers and Investment." The text has, of course, been extensively revised and brought up to date.

**MANAGEMENT'S STAKE IN RESEARCH**. By *Maurice Holland and Contributors*. Harper, New York. 143 pp. \$3.50. What management should expect of research; how to budget, finance, and organize it; how to gear it to the market and to appraise the results.



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## HELP STRENGTHEN AMERICA'S PEACE POWER BUY U. S. SAVINGS BONDS

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# WHAT'S NEW

A NUMBER of new features have been added to Abbott Coin Counter's new Model 7 machine: use of a patented disc pad eliminates overloading; a pushbutton release takes the place of the hand release; an electric signal now announces the end of the coin count run; an electronic foot switch does away with the old foot treadle release. Further information may be obtained from the company at 144th Street and Wales Avenue, New York 54.

★ ★ ★

WEAR and tear on your carpeting from chair casters or just plain overuse can be eliminated. So says the Crysto-Mat Company, manufacturers of a transparent plastic office floor mat. Available in three sizes, the mats are ¼" thick, won't slip or chip, and are reversible. The beveled edges slope evenly to the carpet—there's no "ledge." The company, located at 211 North St., Auburn, New York, will quickly acknowledge all inquiries.

★ ★ ★

A COMPACT desk-top photocopy machine, the new Director "Auto-Stat," has been announced by American Photocopy Equipment Co. Said to have performance features previously found only on higher priced units, the Director model has the unique "speed feed" feature as well as single push button control, continuous and automatic feed opera-



tion and functional styling resulting in ease of maintenance. Priced at approximately \$200, the machine may be purchased under the company's new leasing plan. For further details, contact the company at 2100 West Dempster St., Evanston, Ill.

★ ★ ★

A NEW 10-key, hand-operated Odhner adding machine has been introduced by Facit, Inc., U. S. distributors for Odhner machines. Among the outstanding features of the 11-pound machine is a special combination repeat-correction (R-C) key used for multiplication and to clear out the adding mechanism at the same time. Available in two-tone gray, there is a Sunstrand keyboard which includes finger-fitted keys, slanted at an angle toward the operator, and a full-length zero key. Further information on this Odhner Model H9S-5 may be obtained from Facit, Inc., 404 Fourth Ave., New York 16, or 235 Montgomery St., San Francisco.

★ ★ ★

"SLIMFIN" is the name of the newest fluorescent lighting fixture introduced by Edwin Guth Company. While providing highly efficient downlight, unique side beams add a soft uplight to illuminate the ceiling. Fixtures are finished in white Permalux and include handsome chrome end fins. Available in 4' and 8' lengths, in two or four light widths. The company is located at 2615 Washington Blvd., St. Louis 3.

★ ★ ★

A new portable typewriter, the Remington Rand Quiet-riter Eleven, comes equipped with the standard 11-inch carriage, handles full-sized letterheads longways, and types a standard 10.3-inch line. Another feature—one that makes typing complicated lists automatic—is the Miracle Tab, which allows the typist to set and clear tab spots from the keyboard, instantly, with no fumbling at the back of the machine. Address your inquiry to 315 Fourth Ave., New York 10.

## BOOKLETS

AN entirely new 3½" vault door, incorporating Diebold - basic design, engineering and operating features is the subject of the company's six-page gatefold booklet. Twelve styles are shown, plus the horizontal and vertical specifications used in installation. Further descriptive literature will be mailed in response to letterhead requests; write to the Bank Division, Diebold, Inc., Canton, Ohio.

★ ★ ★

MORE and more banks are getting into the marine financing business. Evinrude Motors, one of the leading manufacturers of outboard motors, has produced a comprehensive manual on the subject; they call it *Profit Opportunities For Banks in Marine Financing*. In orderly fashion, the contents are divided into five sections: Editorials on the general topic of boating and small craft financing; a glossary of terms used in direct and indirect financing; bank testimonials; issues of Evinrude *Dock Lines*, the company's house organ; and a summary of plans used by banks in financing marine paper for dealers. A division of Outboard Marine Corp., the company is located at 4143 No. 27th Street, Milwaukee.

★ ★ ★

EACH year, one hears more and more about Profit Sharing; the phrase is getting to be an integral part of American business. Realizing this, the Profit Sharing Research Foundation has published a very informative 16-page booklet entitled, *What Every Businessman Should Know About Profit Sharing*. In it, a number of basic questions are answered and various books and writings on the subject are suggested as "recommended reading." For a copy of this brief and interesting pamphlet, write the Foundation at 1718 Sherman Ave., Evanston, Ill.



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## BANKING'S ADVERTISERS

October 1958

Abbott Laboratories .....	142	Dixon Crucible Company, Joseph .....	140	National City Bank of Cleveland .....	8
Allison Coupon Company, Inc. ....	84	Educational Thrift Service, Inc. ....	132	New York Terminal Warehouse Company ..	137
American Express Company .....	Cover IV	Exline, Inc., William .....	126, 132, 140, 142	Niagara Manufacturing & Distributing Company .....	Cover II
American Heart Association, Inc. ....	142	Exposition Press .....	132	Old Republic Life Insurance Company ....	17
American Security & Trust Company, Washington, D. C. ....	125	Federal Life & Casualty Company .....	7	Patented Plastics, Inc. ....	122
American Surety Company .....	135	Fenco Corporation .....	128	Pease Woodwork Company .....	85
Associated Loan Counsellors .....	142	Fidelity & Deposit Company of Maryland ..	116	Peoples First National Bank & Trust Com- pany .....	16
Atlas Advertising Company .....	1	Fifth Third Union Trust Company, The ..	133	Polk & Co., R. L. ....	130
Banco Comercial Antioqueno .....	132	First National Bank of Arizona .....	22	Rand McNally & Company .....	96, 118
Banco de Bogota .....	126	First National Bank of Chicago, The ....	87	Recordak Corporation (Subsidiary of East- man Kodak Company) .....	66, 67
Bank Building & Equipment Corporation of America .....	93	First Western Bank & Trust Company ...	139	Remington Rand (Division of Sperry Rand Corporation) .....	95
Bankers Trust Company .....	5	Foundation for Commercial Banks .....	137	Republic National Bank of Dallas .....	119
BANKING .....	129, 133, 146	Friden, Inc. ....	63	Ronald Press Company, The .....	142
Bank of Montreal .....	117	Fund Insurance Companies, The .....	123	Royal Bank of Canada .....	26, 27
Bank of New South Wales .....	100	Guaranty Trust Company of New York ...	99	Saxony Hotel, The .....	140
Bank of Nova Scotia, The .....	24	Hammermill Paper Company .....	94	School Thrift, Inc. ....	135
Blouin, Inc., Maurice F. ....	32	Hanover Bank, The .....	97	Smith-Corona, Inc. ....	15
Brandt Automatic Cashier Company .....	23	Insurance Company of North America ....	21	Standard Paper Goods Manufacturing Com- pany .....	132
Burroughs Corporation .....	82, 83	International Business Machines Corporation .....	10, 11	Talcott, Inc., James .....	124
Central National Insurance Companies of Omaha .....	147	Irving Trust Company .....	28	Thriftomatic Corporation .....	81
Chase Manhattan Bank, The .....	31	Johnson Fare Box Company .....	120	Title Insurance & Trust Company .....	122
Christmas Club a Corporation .....	89	LaMonte & Son, George .....	Cover III	Travelers Insurance Companies, The .....	134
Chubb & Son .....	13	Latham Time Recorder Company, Inc. ....	125	Union Planters National Bank .....	18
Commerce Clearing House, Inc. ....	115	Lawrence Warehouse Company .....	131	United States Bronze Sign Company, Inc. ..	22
Continental Casualty Company .....	77	Lawyers Title Insurance Corporation ....	65	United States Steel Corporation .....	68
Continental Illinois National Bank and Trust Company of Chicago .....	25	LeFebvre Corporation .....	19	United States Treasury .....	143
Credit Life Insurance Company .....	140	Mitsubishi Bank, Limited, The .....	136	Weart, Spencer—Banking Studies .....	132
Cunneen Company, The .....	14	Mobro Corporation .....	133	Welcome Wagon, Inc. ....	32
Cushman & Denison Manufacturing Company .....	8	Monroe Calculating Machine Company, Inc.	121		
Delbridge Calculating Systems, Inc. ....	128	Mosler Safe Company .....	33-36		
DeLuxe Check Printers, Inc. ....	100				
Diebold, Incorporated .....	145				





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## **THE CENTRAL NATIONAL INSURANCE COMPANIES**

**Central National Bldg.  
OMAHA, NEBRASKA**

# The OUTLOOK and Condition of Business

(CONTINUED FROM PAGE 37)

some respects even more potent. The backlog of consumer demand can be measured in different ways with different results. There is no doubt, however, that such a pentup demand exists and is the force most likely to speed the recovery.

In 1953 and 1954 Government expenditures were declining rapidly while today the opposite is true. Also, at that time business was making one of its big swings away from inventory accumulation toward liquidation, while today the inventory factor is working in the opposite direction. Here are two powerful forces affecting consumer demand. Both were negative in 1954 and are positive now, and we know what happened in 1954.

Such analogies, of course, are interesting and sometimes instructive, but there are always factors which are not analogous. Two of these are inflation and war, and we have no means of measuring these two dangers, except that both seem to be constantly greater and closer.

The fact that they appear to be less feared is only proof that we are off guard, apathetic, and in greater danger.

The hardest task the Federal Reserve policy-makers have today is to water down the inflationary fires created by their neighbor, the Government, and still help the Treasury raise the money it needs. In looking for some scapegoat to blame for the governmental extravagance which has caused this impossible situation, the first impulse is to say that Congress appropriated many billions more than the Administration requested. Congress, however, was only trying to please the voters—us, that is.

When the Federal Reserve makes some little move to pour water on the inflation fire, the investing public seems to think it is gasoline. Preventive actions are also a signal for powerful voices to get their anti-Fed speeches out of the drawer and let fly again at those killjoys who won't even stand for a little blaze.

Changes in policy are signals, of course, showing how the authorities feel, but the policies do not cause recession or end them. They are not made with tomorrow morning in mind but in anticipation of trends, over six or eight months. And subject to the hazards of an unpredictable future.

Lump together all criticism of monetary policy in recent years and the inescapable conclusion is that those in command are always doing the impossible. They do too much too soon and too little too late, all at one and the same time.

## Effects of Higher Money Rates

The drop in bond prices since July has been likened by some to the stock market crash of 1929. Banks have been affected severely "on paper." If they had to liquidate their portfolios, they would sustain a substantial loss. The savings feature is, they can borrow against their Government securities at par, and taxes may also be paid at par. Hence, the losses are theory rather than an actuality, except for the bank examiners who go by the slide rule, not reality.

The bond market has had a dampening effect on the

credit of the Treasury, which will not make it any easier so far as future financing is concerned. Money rates had to be tightened. They may be a retarding influence on business recovery in all areas, particularly building and construction which depends on the prevailing tone in the mortgage market.

The U. S. gold stocks dropped further early in September. The decline brought the total outflow so far this year to \$1,763,000,000. This was greater than the largest 1-year drain on the Treasury's gold supply, totaling \$1,721,000,000 for all of 1950. The decline has been linked to the lack of success in Treasury financing operations, to the recession, to the drop in exports, and to somewhat better economic conditions elsewhere.

In the meantime, the cost of borrowing is rising. The discount rate has been raised. Interest rates were boosted on bankers' acceptances, commercial paper, and promissory notes sold by finance companies. There could be a halt to this tendency, if the lack of demand for loans should persist. The chances are that the trend for higher money rates will flatten out, barring an international emergency.

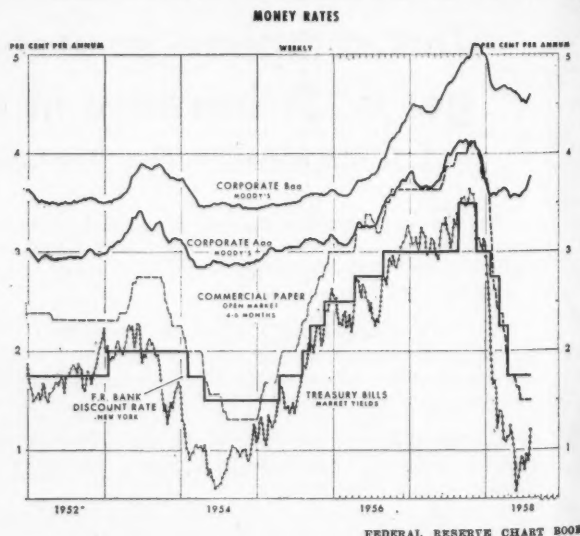
If the trend of consumer buying turns sharply upward it will throw light on the accuracy of polls of consumer spending plans, which a few months ago forecast a pronounced swing to caution.

As expansion gains momentum and recovery is assured we cannot rule out the possibility of renewed labor demands. But there would also be ground to hope that bigger tax revenue would reduce the menacing size of that \$12-billion Treasury deficit.

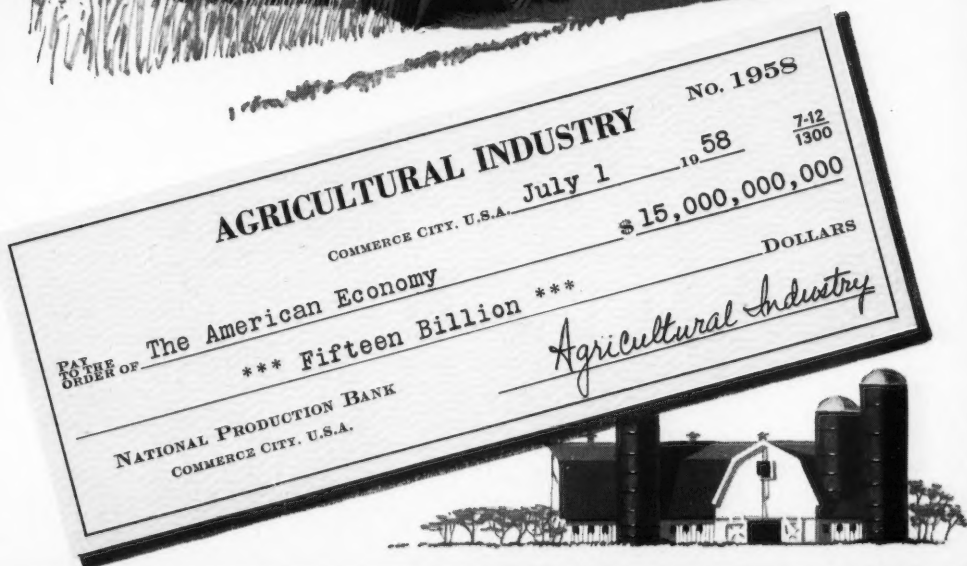
The two most vulnerable areas of the economy, at this writing, are the stock market and the automobile industry. Developments in either one of them could have profound consequences for business throughout the country.

WILLIAM R. KUHN

The chart lines below end at August 8, six days before the Federal Reserve Board approved a rise in the San Francisco Reserve Bank's discount rate to 2% from 1 3/4%. The Twelfth District was followed by the banks in Dallas, Atlanta, Kansas City, Chicago, and Minneapolis. On August 11 the Reserve banks in New York, Cleveland, Richmond, and St. Louis joined in the rate revision, leaving, as BANKING went to press, only Boston and Philadelphia at the lower rate



# Checks-the tools of commerce



## Under October's "Harvest Moon"

agriculture reaps a large part of its \$15-billion\* annual income. Today's farmer is, indeed, a "manufacturer" of food for market... buying and selling in quantity. Most of this money transfer is made by check. And a check on La Monte Safety Paper represents money in its safest, most efficient form.

\*Actual Income — \$15,280,000,000  
Source: U.S. Dept. of Commerce  
Survey of Current Business, July, 1958

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somehow got around to American food and particularly apple pie. I suppose I was hungry for some, too, because I called an American friend of mine and his wife baked us the best apple pie you ever tasted. We *both* had two pieces."

Tom Turnbull's story is typical of the many you might hear from the men of American Express. No matter where people are, when they see the American Express sign, they feel a little closer to home. Tom's sympathetic and helpful attitude, and his real interest in people are just two of the reasons why he's earned so many friends both here and abroad.

There are more men just like Tom Turnbull in American Express' 400 world-wide offices. Why not let them serve your customers by arranging prompt, courteous banking services, planning trips, and all the many details of travel? They help, too, by assuring your customers of prompt refund on lost or stolen American Express Travelers Cheques. People know they can count on the men of American Express. They know languages, customs, and people everywhere intimately.

In short, these men of American Express provide your customers with home-town service away from home . . . all over the world.

*American Express Company*



*Thomas P. Turnbull, District Manager, American Express, Dallas, Texas.*



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